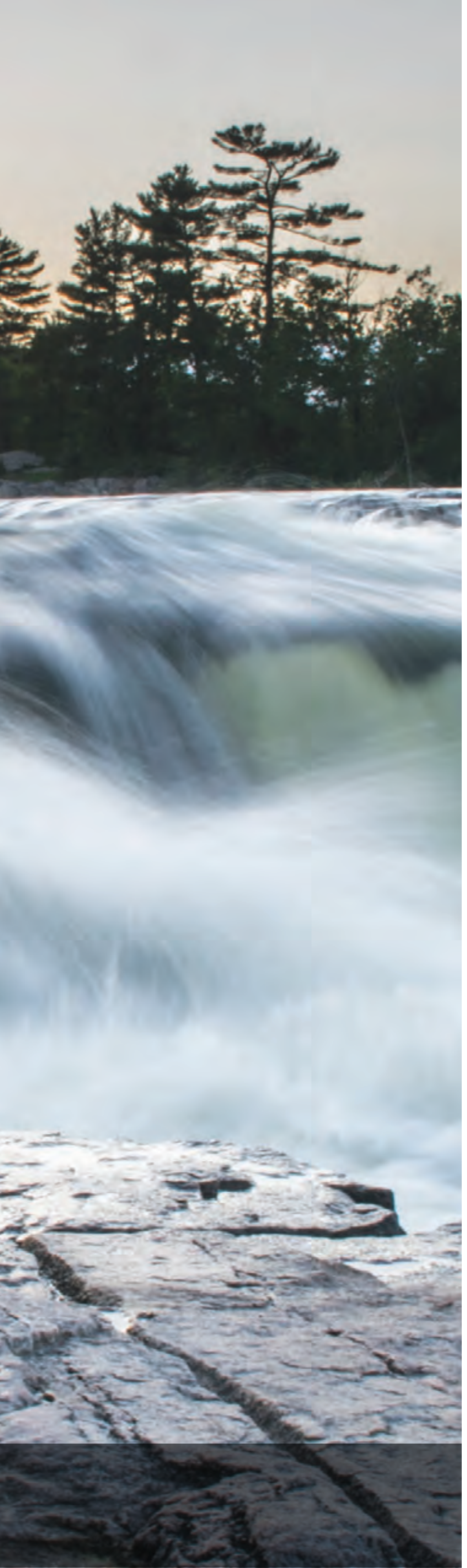
kawartha CREDIT UNION

Annual Report for 2019

Photo taken by Nic Furlong,
Peterborough member since 2015



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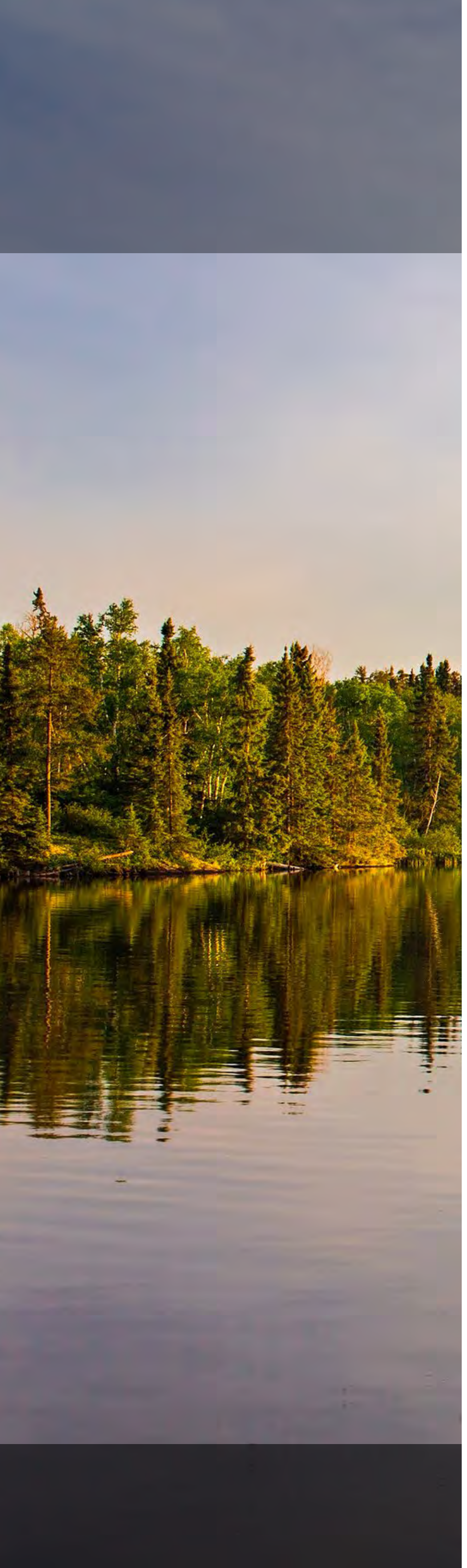
kawartha
CREDIT UNION

We support the financial success and well-being of our members and the communities we serve.



REPORT TO OUR **MEMBERS**

Kawartha's Board and management are pleased to report on our significant accomplishments and operating results from 2019. We will also discuss what you can expect from Kawartha over the coming year, with reference to our strategic plan.

Without question last year was challenging, and at the same time fulfilling. The full impact of our computer system upgrade was felt by members and staff alike and we worked hard throughout the year to learn the new systems more fully and adjust to make it easier to do business with us. One example of this progress was the consolidation and simplified reporting of members' holdings of Class B Affinity Shares. This was a major undertaking enabled by our new systems and done in response to member feedback.

Kawartha Credit Union's purpose is to assist our members in achieving financial success. Our strategy is to provide members with the advice and information they need to meet their financial goals. From our most recent member survey, 77% of members are focused on getting the best advice, and 75% agree that they can count on Kawartha to provide it. We are proud of the high-quality advice provided by our knowledgeable employees and we strive to continually improve. Through ongoing professional development, many hold designations in their area of expertise, with 21 employees achieving accreditation in 2019. To help put that knowledge into action we introduced Advisory training as a demonstration of our commitment to continuous improvement. Our Advisory branch model is designed to improve members' experience, with all business conducted in a private setting. Through member feedback, we have heard both compliments and areas of the experience we still need to improve – including the perception that the new model is slower. We are dedicated to refining the model and in 2019 we introduced new software to enable members to pre-book meetings with an advisor of their choice directly from our website. This appointment booking software also enables better management of branch resources, allowing us to serve members as efficiently as possible. In addition, two new roles were introduced to the Advisory model branches to focus on making our members' branch experience as convenient, productive and enjoyable as possible.

77% of members are focused on getting the best advice, and 75% agree that they can count on Kawartha to provide it.

Improvements to three branches began in 2019. In Napanee, we deployed our Mobile Solutions Centre while the branch was demolished and rebuilt. We offer sincere thanks to our Napanee members and staff for your patience during the construction period. The mobile unit attracted considerable attention and we welcomed 122 new Napanee members during the disruption of construction. In Cornwall, the new larger branch is also more conveniently located at 420 Ninth Street West. Both branches opened in early 2020. In Kingston, construction of a new branch commenced at the Riverview Shopping Centre on Highway 15. This branch is slated to open in the second half of 2020 and will improve our coverage of the city.

For over a decade Kawartha has been committed to **employee engagement** and we are proud to have been designated a **Best Employer** for seven of those years.

For over a decade Kawartha has been committed to employee engagement and we are proud to have been designated a Best Employer for seven of those years. Given the degree of change introduced in 2019, employee engagement saw an anticipated decline and we are undertaking a number of initiatives to return to previous levels. The Board of Directors and management have expressed our heartfelt gratitude to all employees for the professional manner in which they navigated the past year. Please see the Employee Engagement Report on page 14.

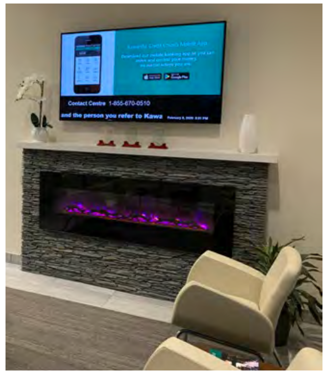
At Kawartha protecting the security and privacy of our members' and employees' confidential information and money has long been critically important to us. We have invested considerable time and financial resources to ensure that your information and accounts are safe and secure. For example, in 2019 we introduced the requirement for stronger passwords for access to online and mobile banking, made enhancements to our network and system security, and engaged the services of a leading global cybersecurity firm. Additionally, all employees receive ongoing security training and we complete a number of testing activities on a regular basis.

Mobile Solutions Centre

2

BRANCHES RENOVATED

CORNWALL & NAPANEE



OPERATING RESULTS

Kawartha provided members with almost 4,000 new consumer loans totaling over $250 million in the past year. Risk in the consumer credit portfolios continues to be low. Consumer loan and mortgage delinquency are at historically low levels. Commercial credit originations were strong at over $100 million. Risk in the commercial credit portfolios, while inherently higher than residential mortgages, is also low. Commercial write-offs in 2019 were on par with the lowest level in the past five years and there is only one impaired commercial credit at the end of the year. We launched a High Interest Savings Account at the beginning of 2019; another benefit of the new systems. A new wealth management strategy was written in 2019 and we began to execute on it in earnest. Growth in our wealth management portfolios, excluding market value appreciation, was over 8%, rising to 21% including market value movement.

Kawartha employs a comprehensive enterprise risk management program. We regularly assess and quantify the risks to which the company is exposed and compare them to Board approved risk tolerances with quarterly reporting to the Board of Directors. The Board also approves the overall risk appetite statement. Structural risk is dynamically managed using short-term and long-term metrics and we employ financial derivatives to reduce interest rate and exchange rate risk as necessary. We measure and manage liquidity risk using current best practices and measure capital using lightly modified "Basel III" principles. Annually we complete an internal capital adequacy assessment process (ICAAP), tested by a variety of stresses, to ensure the company is prudently capitalized. Operational risk continues to be a developing capability and was bolstered in 2019 by the development of a new Business Continuity Plan and I.T. Governance processes following the significant computer system upgrade made in late 2018. During 2019 key risk metrics remained in compliance with Board approved and regulatory limits.

4,000

NEW CONSUMER LOANS

8%

GROWTH

IN WEALTH MANAGEMENT PORTFOLIOS

(excluding market movement)

KINCENTRIC›
Best Employer
CANADA 2019

FINANCIAL RESULTS

The amount of business our members do with Kawartha is one of our primary measures of success. Overall, we saw an 8% increase in 2019, to $68,750 per member. Membership growth exceeded plan in 2019, which speaks to the strength of the Kawartha brand given the amount of change the company has undergone. Our share of the national consumer market increased by 3%.

In 2019, total assets grew by $78 million or 5% to end the year at $1.74 billion. Growth came from members' loans up 4% and members' deposits up 9%, improving our deposit to loan ratio for the second consecutive year as planned. Loan growth was led by residential mortgages, up $65 million or 6%, while the commercial credit portfolio declined $8 million due to an unplanned volume of pre-payments. Deposit growth came from demand deposits up $27 million or 7% and term deposits up $87 million or 9%. Throughout 2019, Kawartha maintained its healthy financial position with regulatory capital and liquidity both well in excess of statutory and Board policy requirements.

Profitability softened in 2019 due to two principal factors: increased competition leading to financial margin compression and increased overhead resulting primarily from the significant investments in information systems made in 2018. While lending and demand deposit rates remained relatively unchanged through 2019, term deposit rates increased considerably. The financial margin benefit from growth in the portfolios was offset by this interest rate compression, resulting in no net change in dollar terms. Operating costs increased by 8% overall, reflecting a 6% increase in salary and benefit costs and a doubling of information systems costs. Technology related investments are a long-term investment to prepare the credit union for the continued trend to more digital services and ongoing strengthening of our cybersecurity posture. Operating income decreased $2.5 million or 30% to $5.7 million or 0.33% of average assets (2018 – $8.2 million or 0.51%). This provided a pre-tax return on average equity of 5.1% and supported the approval of a 5% dividend on Class A Investment Shares and a 4% dividend on Class B Affinity Shares, paid in early 2020.

During 2019 Kawartha distributed over $1 million to our members in the form of Affinity Shares; our profit-sharing program. Cumulatively, we have returned $15.8 million of profits to our members during the 12 years this program has been in place. It is one of the reasons why Kawartha is different and better than our competitors. The more business you do with Kawartha, the bigger your share of the profits.

ASSETS UP **5%** TO
$1.74 BILLION

5% DIVIDEND PAID ON
CLASS A
INVESTMENT SHARES

4% DIVIDEND PAID ON
CLASS B
AFFINITY SHARES

$1 MILLION
DISTRIBUTED TO OUR MEMBERS IN
AFFINITY SHARES

Overall in 2019 we saw an 8% increase in the amount of business our members do with Kawartha.

FUTURE PLANS

The financial services industry globally is in the midst of a digital transformation. While North America is lagging other jurisdictions, the Canadian payments system is in a multi-year modernization process that will support new digital services and the Federal Department of Finance recently released a report on Open Banking recommending the development of a framework to be implemented within the next two years. Kawartha is embracing these developments. In the coming year we will be working to upgrade our online and mobile banking system with the objective of providing a great user experience and ultimately taking advantage of the modernized payments system and open banking framework to offer exciting new products and services.

In early 2020 we launched our first artificial intelligence enabled service – a "chatbot" dubbed KC – to provide automated responses to member inquiries around the clock. Initially KC is limited to responding to general information inquiries, and we have plans to add account inquiry and transaction capabilities as KC learns.
We will also be implementing palm scanners throughout our branch network in 2020 for added convenience and security. Initial pilots of this technology have been well-received by members.

To further enhance our advisory offering, we will launch a full financial planning capability. Financial planning is a key ingredient to fulfilling our promise to support the financial success of our members and is in direct response to member focus groups who told us of the anxiety of not knowing how or if they will achieve their financial and life goals.

In 2020 we will return to plans for the deployment of the Mobile Solution Centre in its intended purpose: serving smaller, underserved communities. Development of a comprehensive mobile strategy to guide this effort is currently underway and we look forward to bringing the Kawartha experience to new communities.

In closing, we have an aggressive agenda for 2020, guided by our strategic plan. We are eager to act on these and other initiatives to help our members achieve financial success, to help our employees advance in their careers, and to make a positive impact on the communities we serve.

On behalf of the Board of Directors and management, we thank our members for displaying confidence in Kawartha by bringing us more business, and for trusting in us to help you reach your financial goals. We also extend our sincere gratitude to our employees for your dedication to our members' success and consequently Kawartha's.

Respectfully submitted,

Harvey Spry,
Chair of the Board of Directors

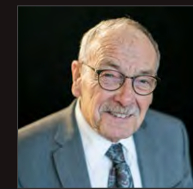
Robert Wellstood,
Chief Executive Officer

BOARD OF DIRECTORS

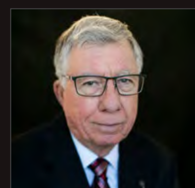
HARVEY SPRY
Chair of the Board

ROBERT LAKE
Vice Chair

NANCY HERR
Audit Committee Chair, Corporate Secretary



MIKE MINICOLA
Nominating Committee Chair

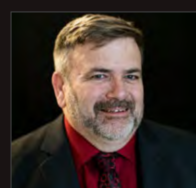


PAUL AYOTTE
Governance Committee Chair

CARL SILVESTRI
Human Resources Committee Chair

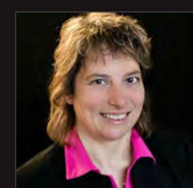
DAVE STANDEN

GERARD BYRNE

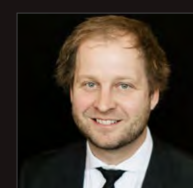


HARRY STODDART

MARY CLAIRE MOHER

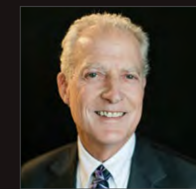


ALLISON CHENIER



JEFF CARTER

SENIOR MANAGEMENT TEAM



ROBERT WELLSTOOD
Chief Executive Officer

MARK OAKES
Chief Financial Officer

BRAD BEST
Vice President, Information Systems

JENNIFER GAUTHIER
Vice President, Human Resources

CRYSTAL DAYMAN
Vice President, Marketing and Corporate Communications

REPORT FROM THE **GOVERNANCE COMMITTEE**

The Governance Committee is a Board committee composed of four Directors and is responsible for assisting the Board in providing appropriate governance for Kawartha Credit Union. It fulfils this responsibility by making recommendations to create, promote, monitor and enhance policies and programs for:

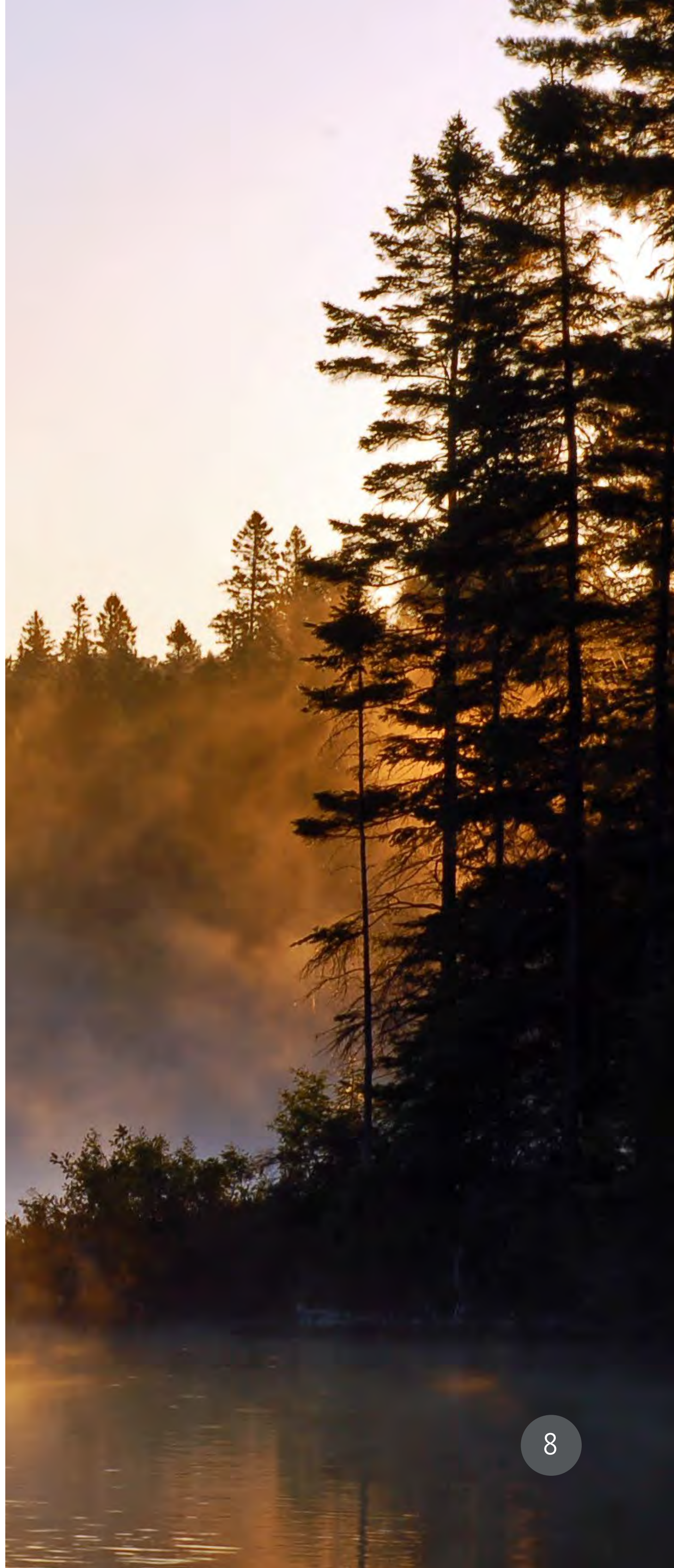
a. Corporate governance
b. Board and committee composition
c. Director education, knowledge, skills and abilities

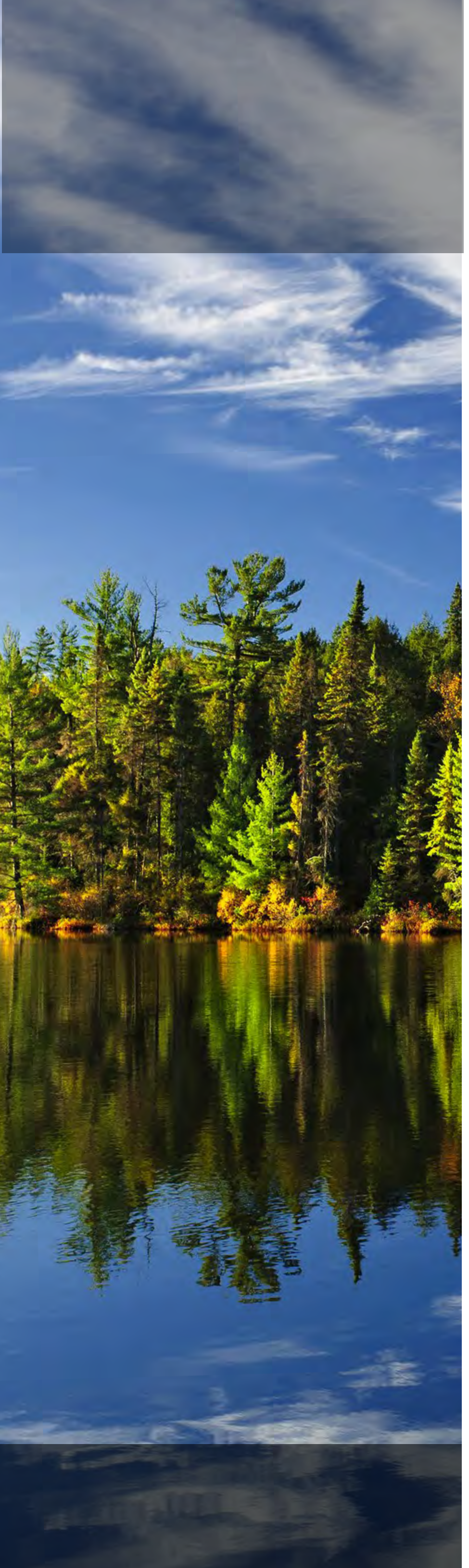
The Governance Committee met four times in 2019. Key activities included:

- Providing oversight of the Board, Committee and Individual Director self-assessment process, analyzed results and recommended direction to the Nominating Committee on skill gaps to be filled in 2020.
- Providing oversight of a new Director Peer Assessment process.
- Reviewed and recommended improvements to the role descriptions for Directors, Board Chair, Board Vice-chair and Committee Chairs.
- Providing oversight for the implementation of succession planning for Board Chair, Vice-chair and Committee Chair positions.
- Monitored Directors' compliance with the mandatory education program and sponsored three training days for all Directors, on *Human Resources Governance*, *Board Governance and the Evolving Technology Landscape* and *Demonstrating Strategic Thinking*. Additionally, ensured Directors received annual training on residential mortgage securitization, anti-money laundering, privacy legislation and accessibility standards.
- Reviewed and made a recommendation to the Board regarding the adequacy of Director remuneration.
- Completed the annual review of all Governance policies and recommended improvements to the Board relative to Director competency requirements.

Respectfully submitted,

Paul Ayotte, Committee Chair
Committee Members: **Gerard Byrne**, **Jeff Carter**, **Dave Standen**





REPORT FROM THE **AUDIT COMMITTEE**

The Audit Committee's primary function is to assist the Board of Directors fulfill its oversight responsibilities related to the adequacy and effectiveness of the preparation and presentation of annual financial statements and regulatory reporting. It does this by reviewing the financial information and reporting processes including the risks and controls related to those processes which management has established. These financial statements are audited annually by independent professional external auditors and are subject to review by the Audit Committee who meet directly with the external auditors.

The Audit Committee also assists the Board of Directors fulfill its risk management oversight responsibilities. It does this by overseeing the effective operation of the financial and operational risk management functions of Kawartha Credit Union and reviewing risk management reporting for reasonableness and compliance with policy limits.

The Audit Committee is comprised of four directors and has a mandate that includes, but is not limited to, all of the tasks specified for Audit Committees in the Credit Unions and Caisse Populaires Act, 1994 and the associated regulations.

The Audit Committee met six times during the 2019 fiscal year to complete its responsibilities including:

- Review the financial statements and results of the year end audit with the external auditor;
- Review the performance of the external auditor and their proposed engagement letter;
- Review the performance of the internal audit activities and the resulting reports;
- Ensure that regulatory filings were submitted on time;
- Review results of regulatory and other third-party examinations and oversee resulting actions;
- Review the Credit Union's policies, procedures, and controls for legislative compliance;
- Review quarterly enterprise risk management reports and recommend same to the Board;
- Recommend risk appetite and risk tolerance limits to the Board;
- Monitor the adherence of Directors, Officers, and employees with the Credit Union's policies and code of conduct;
- Review outstanding legal issues;
- Complete a self-assessment on the effectiveness of the Committee.

Management has implemented all Committee recommendations and there are no matters which the Committee believes should be reported to the members or which are required to be disclosed pursuant to the Act or the regulations.

Respectfully submitted,

Nancy Herr, Committee Chair
Committee: **Harry Stoddart**, **Mary Claire Moher**, **Allison Chenier**

REPORT FROM THE **INDEPENDENT AUDITORS**

To the Members of Kawartha Credit Union Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2019 and the summary statement of comprehensive income for the year then ended (the "Summary Financial Statements"), are derived from the audited financial statements of Kawartha Credit Union Limited (the "Credit Union") for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the 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 Audited Financial Statements

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 25, 2020.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the Summary Financial Statements based on the audited financial statements of Kawartha Credit Union Limited for the year ended December 31, 2019.

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 Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Peterborough, Ontario
March 5, 2020

SUMMARY STATEMENT OF FINANCIAL POSITION

For the year ended December 31 (thousands of Canadian dollars)	2019	2018
Assets		
Cash resources	$ 15,328	$ 19,673
Liquidity deposits	104,820	98,933
Investments	8,349	8,145
Derivative financial instruments	635	633
Loans to members	1,565,210	1,501,730
Other assets	7,555	9,235
Property and equipment	23,874	24,525
Right-of-use assets	15,459	-
	$ 1,741,320	**$ 1,662,874**
Liabilities		
Term loans	12,000	26,000
Member deposits	1,443,107	1,328,067
Accounts payable and accrued liabilities	6,605	4,590
Derivative financial instruments	677	285
Securitized mortgages under administration	144,676	188,662
Members' shares	1,201	1,184
Employee future benefits	5,518	5,299
Lease liabilities	15,762	-
	1,629,546	1,554,087
Members' Equity		
Class A Investment Shares	40,340	40,340
Class B Investment Shares	14,573	13,751
Contributed surplus	558	503
Retained earnings	56,050	53,915
Accumulated other comprehensive income	253	278
	111,774	108,787
	$ 1,741,320	**$ 1,662,874**

Approved by the Board:

Board Chair

Audit Committee Chair

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31 (thousands of Canadian dollars)	**2019**	**2018**
Financial Revenue		
Interest on loans to members	$ 57,672	$ 53,707
Investment income	1,854	1,585
	59,526	55,292
Financial Expense		
Interest on deposits	22,785	18,105
Interest on borrowings	292	853
	23,077	18,958
Finanical margin	36,449	36,334
Other income	9,514	9,150
	45,963	45,484
Operating Expenses		
Salaries and employee benefits	24,610	23,213
Loan loss expense	49	1,175
Occupancy	4,491	4,406
Banking costs	831	893
Other expenses	3,663	3,384
Information systems cost	4,096	1,992
Deposit insurance	1,175	1,083
Promotion	1,112	952
Directors' expenses	247	223
	40,274	37,321
Operating income	5,689	8,163
Gain (loss) on sale of investments	(17)	5
Patronage distributions	(1,028)	(1,082)
Income before income taxes	4,644	7,086
Income tax expense	(101)	849
Net income	4,745	6,237
Other Comprehensive Income		
Actuarial loss on remeasurement of defined benefit non-pension plans	(25)	-
Comprehensive Income	**$ 4,720**	**$ 6,237**

In 2019, we donated

$312,000

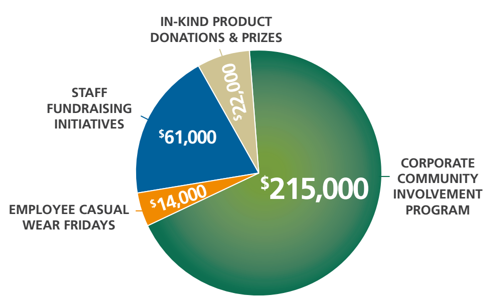
to our branch communities and the causes that matter most to our members.

COMMUNITY INVOLVEMENT PROGRAM

Kawartha Credit Union exists to support the financial success and well-being of our members and the communities we serve, and one of our core values is care for others. To date, our Community Involvement Program has disbursed over $2.7 million in funding to important causes. We are committed to making an impact in our branch communities, and that's why you will likely see our dedicated employees volunteering their time and talents to assist a variety of initiatives and causes where we live and work.

We recognize the efforts of our employees through our Community Commitment Award which is presented to the branch or department who have made the most significant impact in their community, exhibited team spirit, and upheld Kawartha's purpose and values through their volunteerism. In 2019, the recipients of this award were the South River and Brockville branches.

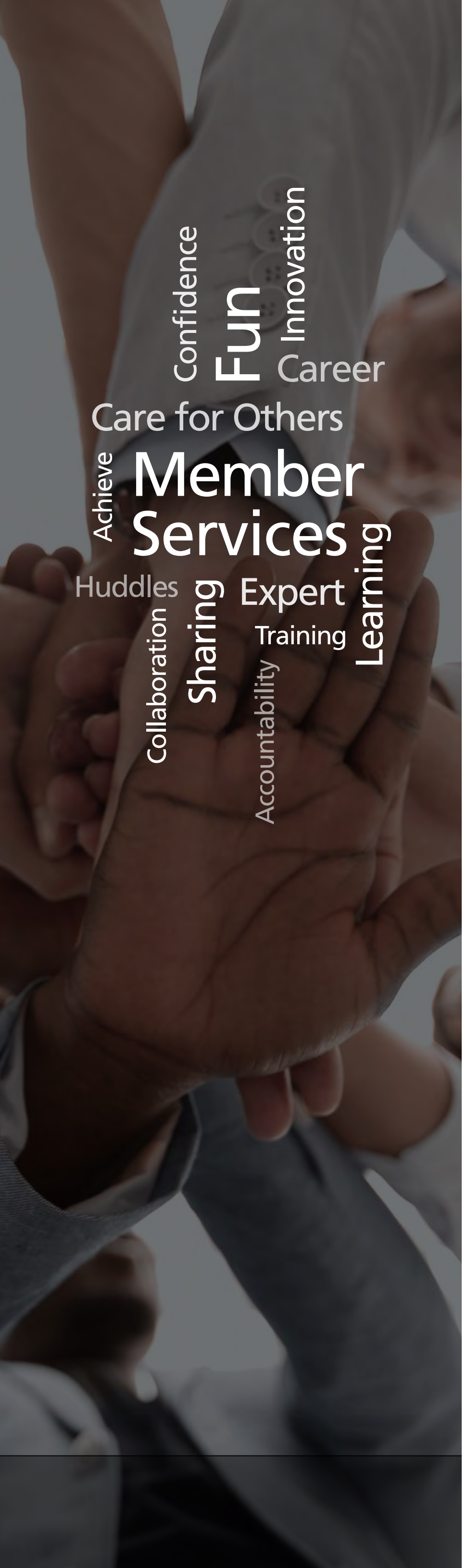
At Kawartha Credit Union we know that involvement in our communities leads to long-lasting partnerships and enhances the quality of life. Helping others be successful is critically important to us, and our efforts and donations create opportunities for everyone. What better way to show that Kawartha cares?



Community Giving By Region

	Healthcare	Youth	Education	Environment	TOTAL
Northern	$24,500	$6,486	$5,050	$784	**$36,820**
Central	$54,150	$25,805	$15,500	$9,350	**$104,805**
Eastern	$40,550	$17,550	$13,575	$1,700	**$73,375**

Northern Region: Bancroft, Coe Hill, Bracebridge, South River, Burk's Falls, Parry Sound, Huntsville
Central Region: Peterborough, Lindsay, Cobourg, Kinmount, Keene, Little Britain
Eastern Region: Trenton, Napanee, Kingston, Brockville and Cornwall



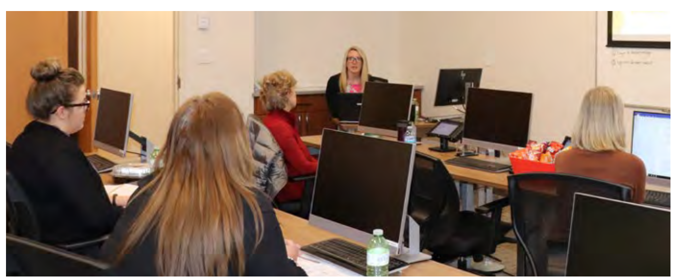
EMPLOYEE **ENGAGEMENT**

Employee engagement is an **integral component** of Kawartha's **strategic direction**.

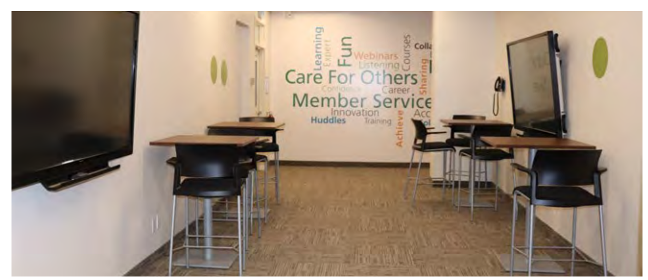
The last two years have been years of great change and innovation at Kawartha. Change is necessary for our credit union to grow, but it is not always easy for our employees. Prior to implementing our new computer system in 2018 we were advised that employee engagement levels would decrease somewhat and in 2019 our scores did in fact decline as anticipated. What hasn't changed is our strategic direction and our focus on people – both members and employees.

We continue to invest in our employees and make them a priority. This investment not only benefits them, but also our members. We focus on the areas that matter to our employees, such as training and learning opportunities, career development, and excellent benefit packages. We built a new training facility at our head office which provides both in-house and remote learning for our employees (via technology). While these investments are essential, we understand it is equally important that our employees have a positive and supportive environment to work in. This includes their physical space, the people they work with, and our workplace practices that impact fair and competitive compensation, benefits, advancement opportunities and performance coaching.

Above all, Kawartha genuinely cares about our employees. We encourage communication throughout the company, and we have an open-door policy. We have worked hard for over a decade to strengthen engagement so that we can pursue our purpose with pride: helping our members achieve their financial goals.



Computer Lab



Training and Innovation Centre

2019 RECOGNITION AWARDS

BRANCH AWARDS

Highest Overall Growth %
Kinmount

Highest Overall Growth $
Chemong

Community Commitment
Brockville and South River

100% Club
Napanee and Kinmount

INDIVIDUAL AWARDS

Glen Davies Award
Mandy Williams, Advisor Support

Extra Mile Award
Alex McPhee, Cornwall
Erin Morgan, Peterborough
Shanna Callahan, Kingston

Manager of the Year Award
Kristy DiMarco, Contact Centre

Kawartha Credit Union Limited

Financial Statements

At December 31, 2019

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Independent Auditor's Report

To the Members of Kawartha Credit Union Limited

Opinion

We have audited the accompanying financial statements of Kawartha Credit Union Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2019, and the statements of income, comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Peterborough, Ontario
February 25, 2020

KAWARTHA CREDIT UNION LIMITED

Statement of Financial Position

December 31	**2019**	2018
	(thousands of Canadian dollars)	
Assets		
Cash resources (Note 8)	**$ 15,328**	$ 19,673
Liquidity deposits (Note 8)	**104,820**	98,933
Investments (Note 11)	**8,349**	8,145
Derivative financial instruments (Note 10)	**635**	633
Members' loans (Note 4)	**1,565,210**	1,501,730
Other assets (Note 15)	**7,555**	9,235
Property and equipment (Note 20)	**23,874**	24,525
Right-of-use assets (Note 21)	**15,549**	-
	$ 1,741,320	$ 1,662,874
Liabilities and Members' Equity		
Liabilities		
Term loans (Note 14i)	**$ 12,000**	$ 26,000
Members' deposits (Note 5)	**1,443,107**	1,328,067
Accounts payable and accrued liabilities	**6,605**	4,590
Derivative financial instruments (Note 10)	**677**	285
Securitized mortgages under administration (Note 12)	**144,676**	188,662
Members' shares (Note 6)	**1,201**	1,184
Employee future benefits (Note 19)	**5,518**	5,299
Lease liabilities (Note 21)	**15,762**	-
	1,629,546	1,554,087
Members' Equity		
Class A Investment shares (Note 6)	**40,340**	40,340
Class B Affinity shares (Note 6)	**14,573**	13,751
Contributed surplus	**558**	503
Retained earnings	**56,050**	53,915
Accumulated other comprehensive income	**253**	278
	111,774	108,787
	$ 1,741,320	$ 1,662,874

Approved by the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

KAWARTHA CREDIT UNION LIMITED

Statement of Income

For the year ended December 31	2019	2018
	(thousands of Canadian dollars)	
Financial Revenue		
Interest on members' loans	$ 57,672	$ 53,707
Investment income	1,854	1,585
	59,526	55,292
Financial Expense		
Interest on members' deposits	22,785	18,105
Interest on borrowings	292	853
	23,077	18,958
Financial Margin	36,449	36,334
Other Income (Note 16)	9,514	9,150
	45,963	45,484
Operating Expenses		
Salaries and employee benefits	24,610	23,213
Loan loss expense	49	1,175
Occupancy (Note 21)	4,491	4,406
Banking costs	831	893
Other expenses (Note 17)	3,663	3,384
Information system costs	4,096	1,992
Deposit insurance	1,175	1,083
Promotion	1,112	952
Directors' expenses	247	223
	40,274	37,321
Operating Income	5,689	8,163
Gain (loss) on sale of investments	(17)	5
Patronage distributions (Note 6)	(1,028)	(1,082)
Income before income taxes	4,644	7,086
Income tax expense (Note 18)	(101)	849
Net Income	$ 4,745	$ 6,237

The accompanying notes are an integral part of these financial statements.

KAWARTHA CREDIT UNION LIMITED

Statement of Comprehensive Income

For the year ended December 31	2019	2018
	(thousands of Canadian dollars)	
Net Income (Page 5)	$ 4,745	$ 6,237
Other comprehensive income		
Actuarial loss on remeasurement of defined benefit non-pension plans (Note 19)	(25)	-
Comprehensive income	$ 4,720	$ 6,237

The accompanying notes are an integral part of these financial statements.

KAWARTHA CREDIT UNION LIMITED

Statement of Changes in Members' Equity

	Accumulated Other Comprehensive Income	Class A Investment Shares	Class B Affinity Shares	Retained Earnings and Contributed Surplus	Total
					(thousands of Canadian dollars)
Balance on December 31, 2017	$ 278	$ 40,340	$ 12,864	$ 50,609	$ 104,091
IFRS 9 transition adjustment on January 1, 2018	-	-	-	(237)	(237)
Net income	-	-	-	6,237	6,237
Dividends (Note 6)	-	-	-	(2,260)	(2,260)
Class B Affinity shares					
Net share issuance	-	-	956	-	956
Forfeitures	-	-	(69)	69	-
Balance on December 31, 2018	278	40,340	13,751	54,418	108,787
Net income	-	-	-	4,745	4,745
Dividends (Note 6)	-	-	-	(2,597)	(2,597)
Class B Affinity Shares					
Net share issuance	-	-	864	-	864
Forfeitures	-	-	(42)	42	-
Actuarial loss on remeasurement of defined benefit pension plans (Note 19)	(25)	-	-	-	(25)
Balance on December 31, 2019	$ 253	$ 40,340	$ 14,573	$ 56,608	$ 111,774

The accompanying notes are an integral part of these financial statements.

KAWARTHA CREDIT UNION LIMITED

Statement of Cash Flows

For the year ended December 31	2019	2018
	(thousands of Canadian dollars)	
Operating activities		
Net income	$ 4,745	$ 6,237
Adjustments for non-cash items:		
Depreciation on property and equipment	2,693	2,183
Depreciation on right-of-use assets	1,074	-
Gains (losses) on sale of investments	17	(5)
	8,529	8,415
Changes in operating assets and liabilities:		
Other assets	1,680	(504)
Derivative financial instruments	365	280
Accounts payable and accrued liabilities	2,015	(1,852)
Employee future benefits	219	186
Changes in allowance for loan losses	-	(100)
Increase in members' deposits	115,040	104,794
Increase in members' loans	(63,299)	(110,725)
(Increase) decrease in accrued interest receivable	(181)	(729)
Total cash inflows (outflows) from operating activities	64,368	(235)
Financing Activities		
Increase in liquidity deposits	(5,887)	(7,892)
Repayment of term loans	(14,000)	(32,000)
Proceeds of mortgage securitization	36,145	70,108
Payment of mortgage securitization liabilities	(80,131)	(33,616)
Class B Affinity shares issued	864	956
Increase in membership shares	17	8
Dividends paid to members	(2,597)	(2,260)
Principal paid on lease liabilities	(861)	-
Total cash outflows from financing activities	(66,450)	(4,696)
Investing Activities		
Purchases of property and equipment (net of disposals)	(2,042)	(7,511)
Increase in investments (net)	(221)	(47)
Total cash outflows from investing activities	(2,263)	(7,558)
Net decrease in cash resources	(4,345)	(12,489)
Cash resources, beginning of year	19,673	32,162
Cash resources, end of year	$ 15,328	$ 19,673

Refer to Note 23 for supplementary cash flow information.

The accompanying notes are an integral part of these financial statements.

1. CORPORATE INFORMATION

Reporting Entity

Kawartha Credit Union Limited (the Credit Union) is incorporated under the Credit Unions and Caisses Populaires Act, 1994 ("The Act") of Ontario and is a member of Central 1 Credit Union Limited (Central 1). The Credit Union operates as one operating segment in the loans and deposit taking industry in Ontario. Products and services offered to its members include mortgages, personal, and commercial (including agricultural) loans, chequing and savings accounts, term deposits, RRSPs, RRIFs, mutual funds, automated banking machines ("ABMs"), debit and credit cards and internet banking. The Credit Union head office is located at 14 Hunter Street East, Peterborough, Ontario, Canada.

These financial statements were authorized for issue by the Board of Directors on February 25, 2020.

2. BASIS OF PRESENTATION

i) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB).

ii) Basis of Measurement

These financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through other comprehensive income ("FVTOCI") and derivative financial instruments measured at fair value.

The Credit Union's functional and presentation currency is the Canadian dollar. The financial statements are presented in thousands of Canadian dollars.

iii) Judgment and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving critical judgments and estimates in applying policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The determination of impairment of member loans; assessing whether credit risk on the financial asset has increased significantly since initial recognition; and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 4);
- The classification of financial assets, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Notes 4 and 8);
- The fair value of certain financial instruments using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows (Notes 4, 5, 10 & 11);
- The determination of the liability for employee future benefits (Note 19); and
- The determination of lease terms for any leases that include a renewal option and termination option, the determination of whether the Credit Union is reasonably certain to exercise such options and the determination of the incremental borrowing rate used to measure lease liabilities for each contract (Note 21).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2019 did not materially affect the Credit Union's financial statements other than those described below.

IFRS 16 Leases (IFRS 16)

On January 1, 2019, the Credit Union adopted IFRS 16 Leases (IFRS 16). IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - Leases ("IAS 17"), with the distinction between operating leases and finance leases being retained.

The Credit Union adopted IFRS 16 using the modified retrospective approach without restatement of comparative figures. The Credit Union elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to existing leases identified and contracts entered into or changed on or after January 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Credit Union applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluded initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date; and
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application

(i) Recognition and measurement

As a lessee, the Credit Union previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Credit Union recognizes right-of-use assets and lease liabilities for most leases.

On adoption of IFRS 16, the Credit Union recognized right-of-use assets and lease liabilities in relation to leases of branch offices which had previously been classified as operating leases.

The lease liabilities and right-of-use assets were measured as follows:

(a) The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Credit Union's incremental borrowing rate as at January 1, 2019. The Credit Union's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions; and

(b) Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(ii) Impacts on the Credit Union's financial statements on January 1, 2019

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at January 1, 2019:

	Balance, December 31, 2018	IFRS 16 adjustments	Adjusted balance, January 1, 2019
			(thousands of Canadian dollars)
Right-of-use assets	$ -	$ 16,623	$ 16,623
Lease liability (i)	$ -	$ 16,623	$ 16,623

(i) When measuring lease liabilities for leases that were previously operating leases, the Credit Union discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities was 2.5%.

(iii) Reconciliation of operating lease commitments and aggregate lease liability

The following table reconciles the Credit Union's operating lease commitments at December 31, 2018, as previously disclosed in the Credit Union's financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

	January 1, 2019
	(thousands of Canadian dollars)
Minimum operating lease commitment disclosed as at December 31, 2018	$ 16,908
Less: portion of lease commitments related to estimated variable lease payments	(5,004)
Plus: effect of extension options reasonably certain to be exercised	11,523
	23,427
Effect of discounting using the incremental borrowing rate as at the date of initial application	(6,804)
Lease liabilities recognized at January 1, 2019	$ 16,623
Of which are:	
Current lease liabilities	$ 861
Non-current lease liabilities	15,762
	$ 16,623

(iv) Impacts on the Credit Union's financial statements for the period ending December 31, 2019

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Credit Union recognized $16,623,367 of right-of-use assets and $16,623,367 of lease liabilities as at January 1, 2019.

Also in relation to those leases under IFRS 16, the Credit Union recognized depreciation and interest costs, instead of operating lease expense. During the year ended December 31, 2019, the Credit Union recognized $1,074,519 of depreciation expense, $403,055 of interest costs and $40,000 of deferred tax expense from these leases.

4. MEMBERS' LOANS

Terms and Conditions

Members' loans can have either a variable or fixed rate of interest and mature within five years. Variable rate loans are based on a "prime rate" formula, ranging from prime minus 1.40% to prime plus 20.00%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2019 was 3.95%.

The interest rate offered on fixed rate loans being advanced at December 31, 2019 ranges from 2.00% to 13.20%. The rate offered to a particular member varies with the type of security offered and the member's credit worthiness.

Residential mortgages are loans and lines of credit secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Personal loans consist of term loans and lines of credit that are non-real estate secured and, as such, have various repayment terms. Some of the personal loans are secured by wage assignments and personal property or investments, and others are secured by wage assignments only.

Commercial loans consist of term loans, operating lines of credit and mortgages to individuals, partnerships and corporations, and have various repayment terms. They are secured by various types of collateral, including mortgages on real property, general security agreements, charges on specific equipment, investments, and personal guarantees.

	2019	2018
	(thousands of Canadian dollars)	
Residential mortgages	$ 1,151,462	$ 1,086,122
Personal Loans	96,398	91,360
Commercial loans	318,857	326,589
	1,566,717	1,504,071
Accrued interest receivable	2,998	2,817
Allowance for impaired loans	(4,505)	(5,158)
Net members' loans	$ 1,565,210	$ 1,501,730

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	2019		2018	
	Principal	Yield (%)	Principal	Yield (%)
			(thousands of Canadian dollars)	
Variable Rate	$ 252,859	6.23	$ 300,694	6.19
Fixed rate due less than one year	244,137	3.66	188,287	3.79
Fixed rate due between one and five years	1,069,721	3.56	1,015,090	3.49
	$ 1,566,717		$ 1,504,071	

4. MEMBERS' LOANS (continued)

i) Recognition and initial measurement

The Credit Union initially recognizes member loans on the date on which they are originated. Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

ii) Classification and subsequent measurement

Member loans are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Member loans are subsequently reduced by any allowance for loan losses.

iii) Derecognition and contract modifications

The Credit Union derecognizes member loans when the contractual rights to the cash flows from the member loans expire, or the Credit Union transfers the member loans. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

If the terms of a member loan are modified, then the Credit Union evaluates whether the cash flows of the modified member loan are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original member loan are deemed to have expired and are derecognized and a new member loan recognized at fair value.

If the terms of a member loan are modified but not substantially, then the member loan is not derecognized.

If the member loan is not derecognized, then the Credit Union recalculates the gross carrying amount of the member loan by discounting the modified contractual cash flows at the original effective interest rate and recognizes the resulting adjustment to the gross carrying amount as a modification gain or loss in profit or loss and presented as interest revenue. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with the provision for credit loss on member loans.

iv) Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's member loans.

v) Interest on members' loans

Interest on members' loans is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the member loan to its gross carrying amount.

4. MEMBERS' LOANS (continued)

Credit risk management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

The Credit Union's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans with stress testing the ability of a borrower to pay at a higher rate, exceptions to policy, policy violations, liquidity, and loan administration;
- Loan lending limits including schedule of assigned limits;
- Loan collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Loan delinquency controls regarding procedures followed for loans in arrears;
- Audit procedures and processes for the Credit Union's lending activities;
- Restriction of certain business, including business engaged in or associated with illegal activities and businesses involved in the production of marijuana; and
- Maintaining the Credit Union's watch list for applicable loans following significant increase in credit risk with appropriate follow-up and risk mitigation techniques

With respect to credit risk, the Board of Directors receives quarterly reports summarizing new loans, delinquent loans and bad debts. The Board of Directors also receives an analysis of allowance for doubtful loans quarterly.

A sizeable portfolio of the loan book is secured by residential property. Therefore, the Credit Union is exposed to the risk of a reduction of the loan to value ratio (LTV) cover should the property market decline. The risk of losses from loans undertaken is primarily reduced by adhering to other lending criteria including a borrower's ability to pay. There have been no significant changes from the previous year in the policies, procedures and methods used to measure the risk.

Amounts arising from ECL

The Credit Union recognizes allowance for loan losses for ECL on member loans. The Credit Union measures allowance for loan losses monthly for ECL stage 3 credit impaired loans and quarterly for ECL stage 1 and stage 2 loans according to a three-stage ECL model as follows:

4. MEMBERS' LOANS (continued)

<table>
<tr><th>Stage</th><th>1 – No Significant Increase in Credit Risk Since Initial Recognition</th><th>2 – Significant Increase in Credit Risk Since Initial Recognition</th><th>3 – Credit-Impaired</th></tr>
<tr><td>Definition</td><td>From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition.</td><td>Following a significant increase in credit risk (SICR) relative to the initial recognition of the financial asset.</td><td>When a financial asset is considered to be credit-impaired (i.e. when credit default has occurred).</td></tr>
<tr><td>Criteria for movement</td><td>At origination, all member loans are categorized into stage 1.

A commercial loan that has experienced a SICR or default may migrate back to stage 1 if the increase in credit risk and/or default is cured and the movement back is approved by the commercial credit department.

For residential mortgages or personal loans, migration back to stage 1 may occur if either:
• all signs of previous credit deterioration are remedied and the member has re-established a consistent record of timely payments as required.
• the loan is restructured with sufficient security pledged and the member has re-established a consistent record of timely payments as required.</td><td>The Credit Union determines a SICR has occurred when a commercial loan moves to the Credit Union's watch list due to a number of factors, including deteriorating financial results, potential security shortfalls or adverse developments of the borrower. Commercial loans where the Credit Union has, for one reason or another, initiated the exiting process, are kept on their watch list and classified in stage 2 until they are paid out.

For consumer loans a SICR has occurred if, from management's portfolio segmentation, payments are over 29 days past due for:
• very low, low or medium risk residential mortgages
• low, medium or high risk personal loans

Additionally, the Credit Union incorporates supportable forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition, requiring migration to stage 2.</td><td>A member loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the member loan have occurred:
• a breach of contract such as a default or delinquency in interest or principal payments;
• significant financial difficulty of the borrower;
• the restructuring of a loan by the Credit Union on terms that the Credit Union would not consider otherwise;
• payment on a loan is overdue 90 days or more;
• it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.</td></tr>
</table>

4. MEMBERS' LOANS (continued)

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
ECL methodology	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the next 12 months (12-month expected credit loss)	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss)	
Collective or individual assessment	Collective assessment of member loans grouped on the basis of similar risk characteristics based on loan type, loan-to-value, quality of security, borrower risk assessment, and for commercial loans, the industry of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.		Each credit-impaired member loan is individually assessed.
Application of ECL methodology	Expected credit loss on a group of member loans is measured on the basis of a loss rate approach. The Credit Union develops loss rates for member loans in stage 1 and loss rates for member loans in stage 2, based on historical loss rates for those types of member loans along with a qualitative forward-looking assessment incorporating current and forecasted economic conditions. The loss rates are also applied to loan commitments approved by the Credit Union but not drawn or funded. For member loans with loan commitments, the estimated allowance required is also based on the loss rate approach.		The probability of default on credit-impaired member loans is 100%, therefore, the key estimation relates to the amount of the default. Expected credit loss on a credit-impaired member loan is measured based on the Credit Union's best estimate of the difference between the loan's carrying value and the present value of expected cash flows discounted at the loan's original effective interest rate.
Key forward-looking information	Unemployment rates, economic outlooks (i.e. prime interest rate forecasts), and insolvency forecasts in addition to other relevant economic information impacting the markets where the Credit Union does business are all considered when determining loss rates.		

Credit Quality Analysis

The following table set out our credit risk exposure for loans as at December 31, 2019. Stage 1 represents performing loans carried with a 12 month expected credit loss. Stage 2 represents performing loans carried with a lifetime expected credit loss. Stage 3 represents loans with a lifetime credit loss that are credit impaired. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

4. MEMBERS' LOANS (continued)

	2019						2018
	Stage 1	Stage 2	Stage 3	Sub-Total	Commitments	Total including Commitments	Total excluding Commitments
							(thousands of Canadian dollars)
Residential Mortgages							
Very Low	$ 317,138	$ -	$ -	$ 317,138	$ 1,874	$ 319,012	$ 332,245
Low	448,568	4,418	-	452,986	3,187	456,173	528,026
Medium	368,116	4,555	-	372,671	1,126	373,797	221,100
Credit Impaired	-	-	10,058	10,058	-	10,058	5,948
	1,133,822	8,973	10,058	1,152,853	6,187	1,159,040	1,087,319
Allowance for loan losses	(649)	(22)	(32)	(703)	(1)	(704)	(640)
Carrying Amount	1,133,173	8,951	10,026	1,152,150	6,186	1,158,336	1,086,679
Personal Loans							
Low	$ 29,205	$ 348	$ -	$ 29,553	$ 23,494	$ 53,047	$ 12,812
Medium	33,401	735	-	34,136	25,432	59,568	47,680
High	30,895	270	-	31,165	15,380	46,545	30,007
Credit Impaired	-	-	1,650	1,650	141	1,791	1,016
	$ 93,501	$ 1,353	$ 1,650	$ 96,504	$ 64,447	$ 160,951	$ 91,515
Allowance for loan losses	(527)	(113)	(1,043)	(1,683)	(111)	(1,794)	(1,438)
Carrying Amount	92,974	1,240	607	94,821	64,336	159,157	90,077
Commercial Loans							
Low	$ 227,750	$ -	$ -	$ 227,750	$ 11,019	$ 238,769	$ 126,159
Medium	55,690	-	-	55,690	20,550	76,240	158,866
High	5,945	-	-	5,945	23,503	29,448	15,200
Watch List Loans	-	27,962	-	27,962	-	27,962	23,679
Credit Impaired	-	-	3,011	3,011	-	3,011	4,150
	$ 289,385	$ 27,962	$ 3,011	$ 320,358	$ 55,072	$ 375,430	$ 328,054
Allowance for loan losses	(440)	(280)	(1,266)	(1,986)	(21)	(2,007)	(2,866)
Carrying Amount	288,945	27,682	1,745	318,372	55,051	373,423	325,188
Balance at December 31, 2019	$ 1,515,092	$ 37,873	$ 12,378	$ 1,565,343	$ 125,573	$ 1,690,916	$ 1,501,944

4. MEMBERS' LOANS (continued)

The allowance for loan losses in the above table includes amounts related to loan commitments either undrawn or approved but not funded at year end. The Credit Union has the following loan commitments to its members at the year-end date:

	2019				2018
				(thousands of Canadian dollars)	
	Residential Mortgages	Personal Loans	Commercial	Total	Total
Unadvanced Loans	$ 6,187	$ -	$ 34,720	$ 40,907	$ 62,395
Unused Lines of Credit	-	64,447	20,352	84,799	164,147
	$ 6,187	$ 64,447	$ 55,072	$ 125,706	$ 226,542

Allowance for loan losses

The following tables show reconciliations from the opening to the closing balance of the allowance for loan losses by type of member loan. The allowance for loan losses in these tables include in stage 1 the ECL on loan commitments for unadvanced member loans and the unused portion of members lines of credit.

	2019				2018
				(thousands of Canadian dollars)	
Residential Mortgage	Stage 1	Stage 2	Stage 3	Total	Total
Balance at January 1	$ 608	$ 6	$ 31	$ 645	$ 568
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(1)	1	-	-	-
Transfer to Stage 3	(17)	-	17	-	-
Net remeasurement of allowances for loan losses	(54)	15	(82)	(121)	118
New members loans originated	114	-	-	114	95
Loans written off	-	-	-	-	(137)
Recoveries of amounts previously written off	-	-	66	66	1
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance at December 31	$ 650	$ 22	$ 32	$ 704	$ 645

4. MEMBERS' LOANS (continued)

	2019				2018
				(thousands of Canadian dollars)	
Personal Loans	Stage 1	Stage 2	Stage 3	Total	Total
Balance at January 1	$ 710	$ 8	$ 851	$ 1,569	$ 1,216
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(1)	1	-	-	-
Transfer to Stage 3	(550)	-	550	-	-
Net remeasurement of allowances for loan losses	116	104	377	597	1,006
New members loans originated	363	-	-	363	(136)
Loans written off	-	-	(799)	(799)	(629)
Recoveries of amounts previously written off	-	-	64	64	112
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance at December 31	$ 638	$ 113	$ 1,043	$ 1,794	$ 1,569

	2019				2018
				(thousands of Canadian dollars)	
Commercial Loans	Stage 1	Stage 2	Stage 3	Total	Total
Balance at January 1	$ 498	$ 230	$ 2,216	$ 2,944	$ 3,473
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	(41)	41	-	-	-
Transfer to Stage 3	(9)	-	9	-	-
Net remeasurement of allowances for loan losses	(148)	9	(944)	(1,083)	298
New members loans originated	161	-	-	161	22
Loans written off	-	-	(61)	(61)	(883)
Recoveries of amounts previously written off	-	-	46	46	34
Changes in models/risk parameters	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance at December 31	$ 461	$ 280	$ 1,266	$ 2,007	$ 2,944

4. MEMBERS' LOANS (continued)

Write-off

Member loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, member loans written off could still be subject to enforcement activities consistent with the Credit Union’s procedures for recovery of amounts due.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

The Credit Union continues to seek recoveries on loans that were written off until they have exhausted all reasonable efforts to collect. Below are the contractual amounts of members loans written off in the year where recovery is still being pursued as at December 31, 2019:

	2019
Mortgages	$ -
Personal Loans	799
Commercial Loans	61
	$ 860

Renegotiated Member Loans

From time to time the contractual terms of a loan are modified if the member is experiencing financial difficulties. An assessment of impairment of renegotiated loans consistent with existing loan loss impairment policies is performed. Renegotiated loans are permitted to remain in performing status if the modifications are not considered to be significant, or are returned to performing status when none of the criteria for classification as impaired continue to apply.

There were no renegotiated member loans during the year ended December 31, 2019.

Member Loans Modified Since Initial Recognition

There were no member loans at December 31, 2019 for which the loss allowance has changed from a lifetime ECL to stage 1 or a 12-month measurement during the year.

Quality of Collateral Held

To manage credit risk, collateral or security may be provided by members for loans granted. As part of the segmentation of the portfolios quality of the collateral or security provided by members. Examples of higher quality collateral would include assignment of the members’ term deposits, wages or property. Examples of lower quality collateral would include personal guarantees or general security agreements. Residential mortgages are segmented between insured and uninsured balances. The table below provides a breakdown of the Credit Union's loan portfolios based on the quality of the collateral or security held.

4. MEMBERS' LOANS (continued)

	2019				2018
				(thousands of Canadian dollars)	
	Residential	Personal Loans	Commercial Loans	Total	Total
Loans unsecured or low quality security	$ -	$ 32,816	$ 70,224	$ 103,040	$ 110,919
Loans with high quality security	-	63,688	250,134	313,822	336,363
Residential mortgages insured by government	156,141	-	-	156,141	142,936
Residential mortgages uninsured by government	835,716	-	-	835,716	727,361
Residential mortgages securitized through Federal government programs	160,996	-	-	160,996	189,309
	$ 1,152,853	$ 96,504	$ 320,358	$ 1,569,715	$ 1,506,888

The total collateral held for member loans in stage 3 is $19,107,671. None of the collateral held by the Credit Union is permitted to be sold or repledged in the absence of default by the owner.

Concentration of Credit Risk

The Credit Union monitors concentration of credit risk on the basis of both members' authorized and outstanding exposure. No individual or related groups of members' outstanding loans exceed 15.00% of members' equity.

The Credit Union has credit risk concentration from its geographic distribution of member loans in Eastern Ontario.

Fair Value

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined using Level 3 valuations (note 10) by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

For fixed rate loans, the weighted average market interest rate used in estimating fair value was 3.58% (2018 - 3.46%) and the weighted average term to maturity was 2.23 years (2018 - 2.21 years). The fair value of members' loans as at December 31, 2019 is as follows:

	2019	2018
	(thousands of Canadian dollars)	
Residential mortgages	$ 1,165,324	$ 1,078,823
Personal loans	87,349	92,144
Commercial loans	321,025	327,108
	$ 1,573,698	$ 1,498,075

5. MEMBERS' DEPOSITS

Terms and Conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 0.25% at December 31, 2019. Interest is calculated daily and paid on the accounts monthly.

Demand savings accounts are due on demand and bear interest at a variable rate up to 0.75% at December 31, 2019. Interest is calculated daily and paid on the accounts monthly.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semi annually, monthly or upon maturity. The interest rates offered on term deposits on December 31, 2019 range from 0.60% to 2.34%.

The registered retirement savings plans (RRSP) accounts can be fixed or variable rate. The fixed rate RRSPs have terms and rates similar to the term deposit accounts described above. The variable rate RRSPs bear interest at a rate of 0.25% at December 31, 2019.

Registered retirement income funds (RRIFs) consist of both fixed and variable rate products with terms and conditions similar to those of the RRSPs described above. Members may make withdrawals from a RRIF account on a monthly, semiannual, or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

The tax-free savings accounts can be fixed or variable rate with terms and conditions similar to those of the RRSPs described above. The variable rate tax-free savings accounts bear interest at a rate of 1.0% at December 31, 2019.

Included in demand savings accounts and term deposits is an amount of $5,281,896 (2018 - $6,339,592) denominated in US dollars.

Average Yields to Maturity

Members' deposits bear interest at both variable and fixed rates with the following average yields:

	2019		2018	
	Principal	Yield (%)	Principal	Yield (%)
			(thousands of Canadian dollars)	
Variable rate	$ 451,396	0.32	$ 396,539	0.30
Fixed rate due less than one year	686,388	2.00	608,017	1.61
Fixed rate due between one and five years	295,248	2.44	314,694	2.24
	$ 1,433,032		$ 1,319,250	

i) Recognition and initial measurement

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

ii) Classification and subsequent measurement

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

5. MEMBERS' DEPOSITS (continued)

	2019	2018
	(thousands of Canadian dollars)	
Chequing accounts	$ 297,523	$ 268,994
Demand savings accounts	100,099	102,122
Term deposits	563,433	528,150
Registered retirement savings plans	164,092	159,814
Registered retirement income funds	96,782	81,257
Tax free savings account	211,103	178,913
	1,433,032	1,319,250
Accrued interest on member deposits	10,075	8,817
	$ 1,443,107	$ 1,328,067

iii) Concentration of credit risk

The Credit Union does not have exposure to groupings of individual deposits that exceed 10.00% of members' deposits which concentrate risk and create exposure to particular segments.

Member deposits are primarily with members located in Eastern Ontario.

iv) Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. Liquidity risk primarily arises from the Credit Union's members' deposits, which are its most significant financial liability.

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Unions and Caisses Populaires Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union measures liquidity risk through calculating the liquidity coverage ratio, the net stable funding ratio, the net cumulative cashflow, and liquid assets as a percentage of deposits and borrowings.

The Credit Union manages liquidity risk by:

- Continuously monitoring cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal period.

5. MEMBERS' DEPOSITS (continued)

As at December 31, 2019, the position of the Credit Union is as follows:

	Maximum Exposure
	(thousands of Canadian dollars)
Qualifying liquid assets on hand	
Cash resources	$ 15,328
Liquidity reserve deposit	104,820
	120,148
Minimum liquidity requirement	111,280
Excess liquidity requirement	$ 8,868

The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(v) Fair value measurement

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks. The fair value of members' deposits as at December 31, 2019 is as follows:

	2019	2018
	(thousands of Canadian dollars)	
Chequing and demand savings accounts	$ 397,622	$ 371,116
Term deposits	565,803	526,349
Registered plans	473,897	419,831
	$ 1,437,322	$ 1,317,296

For fixed rate deposits, the weighted average market interest rate used in estimating fair value was 1.94% (2018 - 1.75%) and the weighted average term to maturity was 1.01 years (2018 - 1.00 years).

(vi) Service fee revenue

Revenue from servicing fees is recognized either on a monthly basis or at the point in time when the transaction takes place.

6. MEMBERS' SHARES

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments

	2019		2018	
	Equity	Liability	Equity	Liability
			(thousands of Canadian dollars)	
Membership Shares	$ -	$ 1,201	$ -	$ 1,184
Class A Investment Shares (net of issuance costs)	40,340	-	40,340	-
Class B Affinity Shares	14,573	-	13,751	-
	$ 54,913	$ 1,201	$ 54,091	$ 1,184

Terms and Conditions

Membership Shares

The Credit Union is authorized to issue an unlimited number of membership shares. As a condition of membership, which is required to use the services of the Credit Union, each member is required to hold 5 member shares with a par value of $5 per share, with the exception of members under 18 years old who are only required to hold 1 member share. These membership shares are redeemable at par only when a membership is withdrawn. Dividends are at the discretion of the Board of Directors. As at year ended December 31, 2019, there were 240,247 membership shares issued (2018 - 236,861).

Funds invested by members in member shares are not insured by FSRA. The withdrawal of member shares is subject to the Credit Union maintaining adequate regulatory capital (see Note 7), as is the payment of any dividends on these shares. Membership shares that are available for redemption based on sufficient regulatory capital are classified as a liability. Any difference between the total membership shares and the liability amount are classified as equity.

Class A Investment Shares

The Credit Union is authorized to issue an unlimited number of Class A Investment shares, in series, with rights, privileges, restrictions and conditions to be determined by the Board of Directors, subject to statutory restrictions. As at December 31, 2019, there were 40,677,054 Class A shares issued (2018 - 40,677,054). The Class A shares pay dividends at the discretion of the Board of Directors in the form of cash or additional shares. These shares are redeemable at the sole and absolute discretion of the Board of Directors after five years, subject to a maximum of 10.00% of the shares outstanding at the end of the previous fiscal year. The redemption of these shares is also subject to the Credit Union maintaining adequate regulatory capital (see Note 7), as is the payment of any distributions on these shares. Class A shares that are available for redemption are classified as Tier 2 capital. Class A shares available for redemption as of December 31, 2019 total 2,608,927.

6. MEMBERS' SHARES (continued)

Class B Affinity Shares

The Credit Union is authorized to issue an unlimited number of Non-Cumulative Redeemable Non-Voting Non-Participating Class B Affinity shares. As at December 31, 2019, there were 14,572,642 Class B Affinity shares issued (2018 - 13,750,977). The Class B shares pay dividends at the discretion of the Board of Directors in the form of cash or additional shares. These shares are redeemable at the sole and absolute discretion of the Board of Directors on a date commencing five years after the issue date, subject to a maximum of 10.00% of the shares outstanding at the end of the previous fiscal year. The redemption of these shares is also subject to the Credit Union maintaining adequate regulatory capital (see Note 7), as is the payment of any distributions on these shares. In 2019, the Credit Union issued 1,027,667 (2018 - 1,082,037) Class B Affinity Shares, recorded as an expense on the Statement of Income. For junior members and RRIF accounts, the Credit Union paid $30,307 (2018 - $29,795) in cash dividends, recorded in the Statement of Changes in Members' Equity. In total, the Credit Union recorded patronage allocations of $1,057,704 (2018 - $1,111,832). Class B shares available for redemption as of December 31, 2019 total 914,669.

Distributions to Members

Dividends recorded to Members' Equity are as follows:

	2019	2018
	(thousands of Canadian dollars)	
Dividends on Class A shares	$ 2,033	$ 1,875
Dividends on Class B Affinity shares	564	385
	$ 2,597	$ 2,260

7. CAPITAL MANAGEMENT

The Credit Union’s capital management objective is to hold sufficient capital to ensure long-term viability, protecting against unanticipated losses and exceeding regulatory requirements.

Regulations to the Credit Unions and Caisses Populaires Act (“The Act”) require that the Credit Union establish and maintain a level of capital that meets or exceeds the following:

- Regulatory capital calculated in accordance with the Act shall not be less than 4.00% of the book value of assets; and
- Regulatory capital calculated in accordance with the Act shall not be less than 8.00% of the risk weighted value of its assets.

The Credit Union maintains an internal policy that total members' capital as shown on the balance sheet shall not be less than 5.50% of the book value of all assets, and members' capital as shown on the balance sheet shall not be less than 11.00% of the risk weighted value of its assets and an operational risk requirement.

The Credit Union considers its capital to include membership shares (member shares, Class A Investment shares, Class B Affinity shares), contributed surplus and retained earnings. There have been no changes in what the Credit Union considers to be capital since the previous period.

The Credit Union establishes the risk weighted value of its assets in accordance with the Regulations of the Credit Unions and Caisses Populaires Act of 1994 which establishes the applicable percentage for each class of assets. The Credit Union's risk weighted value of its assets as at December 31, 2019 was $831,173,806 (2018 - $766,902,641).

7. CAPITAL MANAGEMENT (continued)

Total regulatory capital is composed of Tier 1 and Tier 2 Capital as follows:

	2019	2018
	(thousands of Canadian dollars)	
Tier 1 Capital		
Class A Investment Shares	$ 40,340	$ 40,340
Class B Affinity Shares	14,573	13,751
Less: Redeemable Portion of Class A and Class B Shares	(3,524)	(3,346)
Membership Shares	1,201	1,184
Contributed Surplus	558	503
Retained Earnings	56,050	53,915
Total Tier 1 Capital	109,198	106,347
Tier 2 Capital		
Redeemable portion of Class A and Class B Shares	3,524	3,346
Allowance for Loan Loss	2,164	2,060
Total Tier 2 Capital	5,688	5,406
Total regulatory capital	$ 114,886	$ 111,753

The applicable capital ratios are as follows:

	2019	2018
Tier 1 Capital to Risk Weighted Assets	13.14 %	13.87 %
Total Regulatory Capital to Risk Weighted Assets	13.82 %	14.57 %
Total Regulatory Capital to Total Assets	6.60 %	6.72 %

8. CASH AND CASH EQUIVALENTS AND LIQUIDITY DEPOSITS

Cash and cash equivalents consist of cash resources. The Credit Union's current accounts are held with Central 1. The average yield on the liquidity deposits at December 31, 2019 is 1.51% (2018 - 1.50%).

Cash resources are initially measured at fair value plus transaction costs. Cash resources are classified and subsequently measured at amortized cost.

Liquidity deposit are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Liquidity deposits are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Liquidity deposits are subsequently reduced by any loss allowance. The Credit Union holds cash held on deposit with Central. Liquidity deposits have been determined to have no counterparty credit risk.

The Credit Union must maintain liquidity reserves with Central 1 at 6.00% of total assets at December 31 each year. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total assets or upon withdrawal of membership from Central 1. The liquidity deposits have various maturities up to 5 years. They bear interest at rates ranging between 0.99% and 2.01%.

9. FINANCIAL MARGIN AND INTEREST

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and members' loans and interest paid on members' deposits. The objective of asset and liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union management in accordance with the Credit Union's policy. For the year ended December 31, 2019, the Credit Union was in compliance with this policy.

The following schedule shows the Credit Union's sensitivity to interest rate changes. Amounts with floating rates or due or payable on demand are classified as maturing within three months, regardless of maturity. A significant amount of loans and deposits can be settled before maturity. An adjustment has been made for repayments that may occur prior to maturity based on recent member activity. Amounts that are not interest sensitive have been grouped together, regardless of maturity.

(thousands of Canadian dollars)

Maturity dates	Assets	Yield (%)	Liabilities and Members' Equity	Cost (%)	Gap
Interest sensitive					
< 6 months	$ 457,520	2.80	$ 314,753	1.77	$ 142,767
1 year	195,681	3.27	435,464	1.96	(239,783)
2 years	393,186	3.12	265,127	1.93	128,059
3 years	262,033	3.40	116,660	2.28	145,373
4 years	176,370	3.90	87,590	2.79	88,780
5 years	201,909	3.62	38,139	1.91	163,770
Interest sensitive	$ 1,686,699		$ 1,257,733		$ 428,966
Non-interest sensitive	$ 54,621		$ 483,587		$ (428,966)
Total	$ 1,741,320		$ 1,741,320		$ -

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The credit union utilizes interest rate swaps to assist in managing this rate gap. One of the roles of a credit union is to intermediate between the expectations of borrowers and depositors.

An analysis of the Credit Union's risk due to changes in interest rates determined that an increase in interest rates of 0.50% could result in an increase to net income of $200,000 while a decrease in interest rates of 0.50% could result in a decrease to net income of $31,000.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

9. FINANCIAL MARGIN AND INTEREST (continued)

The following schedule sets out the carrying amount of non-derivative financial assets and financial liabilities expected to be recovered or settled less than and after 12 months from the reporting date:

	2019			2018		
	< 12 months	> 12 months	Total	< 12 months	> 12 months	Total
						(thousands of Canadian dollars)
Financial assets						
Cash resources	$ 15,328	$ -	$ 15,328	$ 19,673	$ -	$ 19,673
Liquidity deposits	50,085	54,735	104,820	47,837	51,096	98,933
Investments	-	8,349	8,349	-	8,145	8,145
Member loans	499,994	1,069,721	1,569,715	491,799	1,015,090	1,506,889
Right-of-use assets	869	14,680	15,549	-	-	-
Other assets	3,886	3,669	7,555	4,971	4,264	9,235
	570,162	1,151,154	1,721,316	564,280	1,078,595	1,642,875
Financial Liabilities						
Term loans	$ 12,000	$ -	$ 12,000	$ 26,000	$ -	$ 26,000
Members' deposits	1,147,859	295,248	1,443,107	1,013,373	314,694	1,328,067
Accounts payable and accrued liabilities	6,605	-	6,605	2,471	-	2,471
Lease liabilities	881	14,881	15,762	-	-	-
Securitized mortgages under administration	30,663	114,013	144,676	45,994	142,668	188,662
Members' shares	-	1,201	1,201	-	1,184	1,184
	1,198,008	425,343	1,623,351	1,087,838	458,546	1,546,384

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Credit Union utilizes derivative financial instruments to mitigate the risk on certain instruments. The Credit Union has not applied hedge accounting to any of its derivative financial instruments for the year ended December 31, 2019.

The Credit Union does not hold or issue derivative financial instruments for speculative purposes and controls are in place to prevent and detect these activities. The tables below provide an overview of the Credit Unions's derivative portfolio.

	Maturities of Derivatives (Notional Amounts)			December 31, 2019 Fair Value	
	Within 1 year	1 to 5 years	Total	Asset	Liability
				(thousands of Canadian dollars)	
Interest rate swaps:					
Receive fixed	$ 175,000	$ 75,000	$ 250,000	$ 101	$ -
Foreign exchange	6,638	-	6,638	-	143
Index-linked options	3,168	2,613	5,781	534	534
Total	$ 184,806	$ 77,613	$ 262,419	$ 635	$ 677

	Maturities of Derivatives (Notional Amounts)			December 31, 2018 Fair Value	
	Within 1 year	1 to 5 years	Total	Asset	Liability
				(thousands of Canadian dollars)	
Interest rate swaps:					
Receive fixed	$ 125,000	$ -	$ 125,000	$ 124	$ -
Foreign exchange	7,695	-	7,695	224	-
Index-linked options	462	5,482	5,944	285	285
Total	$ 133,157	$ 5,482	$ 138,639	$ 633	$ 285

Interest Rate Swaps

As described in Note 4, the Credit Union issues loans with variable interest rates to its members, which exposes the Credit Union to interest rate risk. The Credit Union enters into fixed interest rate swap contracts with Central 1 to hedge the Credit Union's exposure to interest rate risks. As at December 31, 2019, the Credit Union had entered into five interest rate swap contracts for a total of $250,000,000 of notional principal whereby it has agreed to pay at variable interest rates based on three month Canadian Dollar Offered Rate ("CDOR") rates and receive at fixed interest rates. The swap contracts have fixed interest rates between 1.84% and 2.39% with maturity dates between January 2020 and January 2021. One of the interest rate swaps with a notional principal of $50,000,000 has an effective date in January 2020. All agreements are secured by a general security agreement covering all assets of the Credit Union.

Foreign Exchange Swaps

The Credit Union uses foreign exchange derivative instruments as a hedge to manage currency risk. These derivatives consist of US dollar swap transactions which are simultaneous sell/buy and buy/sell of an identical amount of US dollars over two different days at an agreed exchange rate. Board policy governs the amount and term of these instruments.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Equity Index-Linked Deposits

The Credit Union has outstanding $5,797,468 (2018 - $5,928,948) in index linked term deposits to its members. The Index linked term deposits are three and five year deposits that pay interest at the end of the term, based on the performance of a variety of indices. The embedded derivative associated with these deposits are presented in assets and liabilities and have a fair value of $534,189 (2018 - $284,964).

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the indices associated with this product, whereby the Credit Union pays a fixed rate of interest for the term of each Index linked term deposits on the face value of the deposits sold. At the end of the term, the Credit Union receives an amount equal to the amount that will be paid to the depositors, based on the performance of the indices. As at December 31, 2019, the Credit Union had entered into such contracts on index linked term deposits for a total of $5,781,520 (2018 - $5,943,675). The agreements are secured by a general security agreement covering all assets of the Credit Union.

Fair Value of Derivatives

The fair value of derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves. The following table provides an analysis of derivatives that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level of input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of three levels.

All derivative valuations are Level 2 valuations and there were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2019 and 2018.

11. INVESTMENTS

i) Recognition and initial measurement

The Credit Union recognizes equity instruments on the settlement date, which is the date that the asset is received by the Credit Union. The instruments are initially measured at fair value.

ii) Classification and subsequent measurement

The Credit Union classifies its equity instruments as FVTOCI. The FVTOCI designation was made on the Credit Union's investment in Central 1 Credit Union Limited shares because those shares are a condition of membership with that Central. The FVTOCI designation was made on Other Investments because the investments are expected to be held for the long term for strategic purposes.

The equity instruments are subsequently measured at fair value with changes in fair value recognized in OCI. Gains and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

iii) Derecognition

The Credit Union derecognizes investments when the contractual rights to the cash flows from the investment expires or the Credit Union transfers the investment. On derecognition, any cumulative gain or loss recognized in OCI is not recognized in profit or loss.

iv) Fair value measurement

The following tables provide information on the investments by type of security and issuer.

	2019	2018
	(thousands of Canadian dollars)	
Central 1 Credit Union Limited		
- Class A membership shares	$ 599	$ 605
- Class E membership shares	2,285	2,285
- Class F membership shares	5,419	5,127
Other Investments	46	128
	$ 8,349	$ 8,145

The shares in Central 1 are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis. Fair value is determined based on the rebalancing mechanism used by Central 1, which calculates the amount of shares a credit union must hold. On May 31, 2019 Central 1 approved the Class A share rebalancing based on consolidated assets. Class A shares decreased by $5,722. Subsequent to their initial measurement, Class A Central 1 shares are fair valued using a Level 2 fair value measurement as described in Note 10.

11. INVESTMENTS (continued)

Class E Central 1 shares were issued to Ontario Credit Unions as part of the combination agreement between CUCO and CUCBC and are redeemable at the option of Central 1. These shares were issued with a par value however are redeemable at $100 at the option of Central 1. There is no separately quoted market value for these shares; however, fair value is determined based on a discounted cash flow model using the expected timing of redemption and a market rate of interest. Due to redemption of these shares being at the discretion of Central 1, with no planned redemption currently known, the time period used in the valuation is of significant length, therefore, the cost of the shares approximates their fair value. Subsequent to their initial measurement, Class E Central 1 shares are fair valued using a Level 3 fair value measurement as described in Note 10.

Class F Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis. Fair value is determined based on the rebalancing mechanism used by Central 1, which calculates the amount of shares a credit union must hold. On May 31, 2019 Central 1 approved the Class F share rebalancing based on projected mandatory liquidity balances, Class F shares increased by $237,972. On November 29, 2019 there was a share call for Class F based on forecasted mandatory deposit balances this increased Class F shares by $54,165. Subsequent to their initial measurement, Class F Central 1 shares are fair valued using a Level 2 fair value measurement as described in Note 10.

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2019 and 2018.

Dividends on these shares are at the discretion of the Board of Directors of Central 1.

12. MORTGAGE SECURITIZATIONS AND TRANSFERS

For securitization transactions, loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition has not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the effective interest rate method.

During the year the Credit Union securitized residential mortgages of $36,144,563 (2018 - $70,108,455). The Credit Union retains mortgage servicing responsibilities but does not receive an explicit servicing fee for its servicing responsibilities.

12. MORTGAGE SECURITIZATIONS AND TRANSFERS (continued)

Transferred Financial Assets that are recognized in their entirety

The table below sets out the carrying amounts and fair values related to transferred loans to members that are recognized in their entirety and any associated liabilities.

	2019	2018
	(thousands of Canadian dollars)	
Carrying amount of assets:		
Members' loans	$ 160,996	$ 189,309
Other securitization assets (Note 15)	2,666	3,541
Carrying amount of associated liabilities:	(144,676)	(188,662)
Net position	$ 18,986	$ 4,188

The Credit Union does not have the ability to use the transferred assets during the term of the arrangement.

13. FOREIGN EXCHANGE RISK

The Credit Union's foreign exchange risk is related to United States dollar deposits and loans denominated in United States dollars. The Credit Union limits its foreign currency exposure in accordance with its exchange risk management policy. Foreign currency changes are continually monitored by the asset/liability committee for effectiveness of foreign exchange mitigation activities and holdings.

The Credit Union's exposure to changes in currency exchange rates shall be controlled by limiting the unhedged foreign currency exposure to $500,000 in U.S. funds.

For the year ended December 31, 2019, the Credit Union's exposure to foreign exchange risk is in compliance with policy.

There have been no significant changes from the previous year in the policies, procedures and methods used to measure the risk.

14. COMMITMENTS

i) Credit Facilities
The Credit Union has a committed line of credit and term loan facilities with Central 1 Credit Union Limited totaling $75,850,000. As of December 31, 2019 the Credit Union had unused credit facilities totaling $63,755,912. The authorized lines of credit bear interest at 2.58% (2018 - 2.73%). Security given is an assignment of loans receivable and a general security agreement covering all assets of the Credit Union.

ii) Commitments
In addition to its lease agreements, the Credit Union has entered into a number of additional commitments with third party service providers for terms of varying lengths. Payments to these service providers are expected to total approximately $18,000,000 over a ten year period.

iii) Contingencies
The nature of the Credit Union's activities are such that there may be litigation pending or in progress at any time. With respect to claims at December 31, 2019 management believes the Credit Union has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Credit Union's financial position.

15. OTHER ASSETS

	2019	2018
	(thousands of Canadian dollars)	
Interest receivable on liquidity deposits (Note 8)	$ 706	$ 633
Deferred income taxes (Note 18)	1,080	1,158
Other securitization assets (Note 12)	2,666	3,541
Other assets	3,103	3,903
	$ 7,555	$ 9,235

16. OTHER INCOME

	2019	2018
	(thousands of Canadian dollars)	
Foreign exchange gain	$ 397	$ 445
Gain on sale of assets	782	296
Other income	564	502
Rental income	189	405
Service fee revenue	7,582	7,502
	$ 9,514	$ 9,150

17. OTHER EXPENSES

	2019	2018
	(thousands of Canadian dollars)	
Other supplies and postage	$ 836	$ 772
Equipment costs	792	711
Central dues & regulatory assessments	198	182
Savings and loan life insurance	244	4
Education and staff development	282	248
Professional services	560	412
Collection costs	92	114
Telephone	212	206
Miscellaneous	447	735
	$ 3,663	$ 3,384

18. INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The effects of temporary differences, which give rise to the deferred income tax assets reported in other assets on the balance sheet, are as follows:

	Balance as at December 31 2018	Recognized in Net Income	Balance as at December 31 2019
		(thousands of Canadian dollars)	
Employee future benefits	$ 980	$ 40	1,020
Allowance for impaired loans	440	(35)	405
Property and equipment	(262)	(43)	(305)
Other	-	(40)	(40)
	$ 1,158	$ (78)	1,080

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial Statutory income tax rates to income before income taxes. This difference results from the following items:

	2019	2018
	(thousands of Canadian dollars)	
Income before income taxes	$ 4,644	$ 7,086
Statutory income tax rate	26.50 %	26.50 %
Expected income tax expense	1,231	1,878
Decrease in taxes resulting from:		
Reduction due to Ontario credit union tax reduction	(377)	(567)
Tax savings on dividends	(682)	(651)
Non-deductible expenses and other reconciling items	(273)	189
Income tax expense	$ (101)	$ 849

The income tax expense consists of the following:

	2019	2018
	(thousands of Canadian dollars)	
Current provision	$ (179)	$ 542
Deferred provision	78	307
	$ (101)	$ 849

19. EMPLOYEE FUTURE BENEFITS

Defined Contribution Pension Plan

The Credit Union sponsors a defined contribution pension plan. Contributions to the plan during the year ended December 31, 2019 were $929,891 (2018 - $954,493).

Defined Benefit Post-Retirement Non-Pension Plan

The Credit Union provides health and dental benefits for retired employees who were employed on a full time basis prior to November 1, 2003. The Credit Union recognizes these post retirement costs in the period in which the employees render their services. The cost of employee future benefits earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, employee turnover and expected health care costs. Gains or losses arising from actuarial assessments are recognized through Other Comprehensive Income. The most recent actuarial valuation report was performed as at April 30, 2019.

The accrued benefit obligation at December 31, 2019 of $5,518,300 (2018 - $5,299,217) and the net periodic benefit cost for the year ending December 31, 2019 was determined by actuarial valuation using a discount rate of 3.40% (2018 - 4.10%).

Information about the Credit Union's defined benefit plans is as follows:

	2019	2018
	(thousands of Canadian dollars)	
Accrued benefit obligation		
Balance at the beginning of the period	$ 5,299	$ 5,113
Service cost for the period	96	92
Interest cost for the period	215	207
Benefits cost for the period	(117)	(113)
Actuarial loss	25	-
Accrued liability	$ 5,518	$ 5,299
Components of net periodic benefit cost		
Service cost for the period	$ 96	$ 92
Interest cost for the period	215	207
Net periodic benefit cost	$ 311	$ 299

The main actuarial assumptions employed for the valuations are as follows:

General Inflation (CPI rate)	2.00%
Interest (discount) rate	3.40%

Medical costs were assumed to increase at the CPI rate plus 2.00% in 2019, adjusted every five years based on actuarial assumptions until reaching the CPI rate plus 2.00% in 2040 and thereafter.

Dental costs were assumed to increase at the CPI rate plus 2.30% in 2019, adjusted every five years based on actuarial assumptions until reaching the CPI rate plus 2.30% in 2040 and thereafter.

19. EMPLOYEE FUTURE BENEFITS (continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects for 2019:

	Increase	Decrease
Accrued benefit obligation	$ 1,070,000	$ (841,000)

20. PROPERTY AND EQUIPMENT

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Parking lot		25 years
Buildings		20 - 50 years
Buildings	- interior renovations	10 years
Equipment	- computer	3 - 5 years
	- computer software	3 - 10 years
	- furniture & other	5 - 10 years
Leasehold improvements		Remaining term of the lease

Where components of an item of buildings have different useful lives, they are accounted for as separate items of buildings.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

20. PROPERTY AND EQUIPMENT (Continued)

(thousands of Canadian dollars)

Cost	Land and Parking Lots	Buildings	Equipment, Furniture and Software	Leasehold Improvements	Total
Balance at December 31, 2017	$ 3,693	$ 13,075	$ 12,758	$ 6,017	$ 35,543
Additions	170	134	5,114	2,093	7,511
Balance on December 31, 2018	3,863	13,209	17,872	8,110	43,054
Additions	-	1,210	2,012	596	3,818
Disposals	(339)	(2,423)	(100)	(862)	(3,724)
Balance on December 31, 2019	$ 3,524	$ 11,996	$ 19,784	$ 7,844	$ 43,148
Accumulated Depreciation					
Balance at December 31, 2017	$ 129	$ 4,541	$ 9,089	$ 2,587	$ 16,346
Depreciation Expense	26	421	1,269	467	2,183
Balance on December 31, 2018	155	4,962	10,358	3,054	18,529
Depreciation Expense	43	427	1,719	504	2,693
Disposals	(4)	(1,894)	(47)	(3)	(1,948)
Balance on December 31, 2019	$ 194	$ 3,495	$ 12,030	$ 3,555	$ 19,274
Net Book Value					
December 31, 2018	$ 3,708	$ 8,247	$ 7,514	$ 5,056	$ 24,525
December 31, 2019	$ 3,330	$ 8,501	$ 7,754	$ 4,289	$ 23,874

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

At inception of a contract, the Credit Union assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019. All leases are accounted for by recognizing a right-to-use asset and a lease liability except for:

- Leases of low value assets (based on the value of the underlying asset when new); and
- Short-term leases with a lease term of twelve months or less.

i) Nature of leasing activities (in the capacity as lessee)

The Credit Union leases branch offices. The leases of their branch offices expire between August 2020 and August 2035 with extension periods ranging from 5 to 20 years. Extension options are included in the lease term when the Credit Union is reasonably certain to exercise that option. The lease payments comprise annual payments over the lease term ranging from $6 to $56 per square foot. All leases have either a fixed rate as outlined in the lease agreement or increase based on an inflation adjustment. The Credit Union's obligation under lease are secured by the lessor's title to the leased assets.

ii) Recognition and initial measurement

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. Generally the Credit Union uses its incremental borrowing rate as the discount rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate (e.g. CPI or inflation). In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments that are not dependent on an index or rate are expensed in the period to which they relate.

For contracts that both convey a right to the Credit Union to use an identified asset and require services to be provided to the Credit Union by the lessor, the Credit Union has elected to account for the entire contract as a lease, and therefore the Credit Union does not allocate the amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

iii) Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate. The revised future lease payments are discounted at the same discount rate that applied on lease commencement. Lease liabilities are also remeasured when there is a change in the assessment of the term of any lease (for example, a change in the Credit Union's assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised). The future lease payments over the revised term are discounted at the revised discount rate at the date of reassessment. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset.

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Right-of-use assets consist of the following:

		Branch Offices
		(thousands of Canadian dollars)
Cost		
Balance at January 1, 2019	$	16,623
Additions		-
Modification to lease terms		-
Disposals		-
Balance at December 31, 2019	$	16,623
Accumulated Depreciation		
Balance at January 1, 2019	$	-
Depreciation for the year		(1,074)
Disposals		-
Balance at December 31, 2019	$	(1,074)
Carrying amounts		
At December 31, 2019	$	15,549

Lease liabilities consist of the following:

		Branch Offices
		(thousands of Canadian dollars)
Balance at January 1, 2019	$	16,623
Additions		-
Interest expense		403
Effect of modification to lease terms		-
Variable lease payment adjustment		-
Lease payments		(1,264)
Balance at December 31, 2019	$	15,762

Additional amounts recognized in profit or loss:

	2019	2018
	(thousands of Canadian dollars)	
Depreciation of right-of-use assets	$ 1,074	$ -
Interest expense on lease liability	403	-
Expenses relating to variable lease payments not included in lease liabilities (included in operating expenses)	593	-
Total operating lease expense	-	1,858

Amounts recognized in the statement of cash flows:

	2019	2018
	(thousands of Canadian dollars)	
Total cash outflow for leases	$ 1,264	$ 1,858

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

iv) Liquidity risk

The Credit Union does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Credit Union's finance function.

The following table sets out the contractual maturities, representing undiscounted contractual cash-flows, of lease liabilities:

	December 31, 2019 (thousands of Canadian dollars)
No later than 1 year	$ 1,263
Later than 1 year and not later than 5 years	5,799
Later than 5 years	12,967
	$ 20,029

22. RELATED PARTY TRANSACTIONS

The Credit Union entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, including directors and management.

	2019	2018
	(thousands of Canadian dollars)	
Compensation:		
Salaries, and other employee benefits	$ 1,860	$ 1,719

	2019	2018
	(thousands of Canadian dollars)	
Loans to key management personnel:		
Aggregate value of loans advanced	$ 786	$ 706
Interest received on loans advanced	24	22
Total value of lines of credit advanced	99	106
Interest received on lines of credit advanced	3	3
Unused value of lines of credit	441	503

The Credit Union's policy for lending to key management personnel is that the loans are approved and deposits accepted on the same terms and conditions which apply to Members for each class of loan or deposit.

	2019	2018
	(thousands of Canadian dollars)	
Deposits from key management personnel:		
Aggregate value of term and savings deposits	$ 2,593	$ 2,387
Total interest paid on term and savings deposits	70	64

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which apply to Members for each type of deposit. There are no benefits or concessional terms and conditions applicable to key management personnel or close family members.

22. RELATED PARTY TRANSACTIONS (continued)

Regulatory Reporting

i) Remuneration of Officers and Employees

The Credit Unions and Caisses Populaires Act, 1994, requires credit unions to disclose remuneration paid during the year to the officers and employees of a credit union whose total remuneration for the year exceeded $150,000. If there are more than five officers and employees of a credit union whose total remuneration for the year was over $150,000, the five officers and employees with the highest total remuneration for the year are disclosed. The table below provides this information for the 2019 calendar year:

	Total Salary Received	Monetary Value of Benefits Received
Robert Wellstood, CEO	$ 435,835	$ 13,615
John Finnie, COO	$ 263,838	$ 13,615
Mark Oakes, CFO	$ 257,015	$ 13,615
Jennifer Gauthier, VP Human Resources	$ 196,583	$ 13,615
Brad Best, VP Information Systems	$ 195,604	$ 13,583

ii) Restricted Party Loans

The Credit Union has enacted a policy requiring disclosure and Board approval of all restricted party transactions. Restricted parties have been defined in the policy to include anyone who is, or has been within the preceding twelve months, a Director or Officer of the Credit Union, their spouse or relatives residing within the same house. The Credit Unions and Caisses Populaires Act, 1994, provides a broader definition of restricted parties which includes all relatives of Directors and Officers. There were 3 new loans advanced to restricted parties as defined by policy during the year, and there are 13 loans outstanding to such parties with an aggregate value of $1,823,050 at December 31, 2019.

iii) Other Statutory Information

Pursuant to the requirements of the Credit Unions and Caisses Populaires Act, 1994, the following information is provided:

	2019	2018
	(thousands of Canadian dollars)	
Director remuneration paid	$ 189	$ 183
Deposit insurance premium paid	$ 1,175	$ 1,083

23. STATEMENT OF CASH FLOWS

The following amounts are included in the cash provided by operations:

	2019	2018
	(thousands of Canadian dollars)	
Interest received on loans to members	$ 57,509	$ 52,712
Interest paid on member deposits	$ 21,527	$ 17,413

24. SUBSEQUENT EVENTS

On January 20, 2020, the Board of Directors of the Credit Union passed a resolution to declare a dividend of 5.00% on the Class A Investment Shares, payable to the shareholders of record at December 31, 2019.

On January 20, 2020, the Board of Directors of the Credit Union passed a resolution to declare a dividend of 4.00% on the Class B Affinity Shares, payable to the shareholders of record at December 31, 2019.

On February 25, 2020, the Board of Directors of the credit Union passed a resolution to issue approximately 1,100,000 Class B Affinity Shares to members of record as at December 31, 2019.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.