kawartha
CREDIT UNION

Annual Report 2020

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REPORT TO OUR **MEMBERS**

HELPFUL WHEN IT MATTERS

We recognize the hardships the pandemic has brought to many of our members and our communities, as well as people across Canada and around the world. Lives and livelihoods have been impacted, and our hearts go out to those who lost loved ones. The challenges of 2020 bring to mind a quote by Albert Einstein, “In the middle of difficulty lies opportunity.” For Kawartha, the opportunity was to demonstrate what we stand for: that Kawartha is a caring, trustworthy and helpful company. As a purpose-driven company that exists to support the financial success and well-being of our members and the communities we serve, we stepped up our support in meaningful and impactful ways that made tangible differences for our members.

Early in the pandemic, Kawartha chose to prioritize member and employee health and safety. We quickly implemented protective equipment, adjusted operational protocols, and amended branch hours to provide a safe environment for our members and employees. We thank our members and employees for your understanding, patience and cooperation amid these changes. We are pleased to report that we have had no outbreaks in any of our branches.

Throughout 2020, Kawartha instituted several new programs to assist members. Employees processed thousands of loan payment deferrals, providing needed financial relief with caring advice. We rolled out government loan programs for small businesses as soon as they were available to us, processing $19 million in Canada Emergency Benefit Account (CEBA) loans. We also engaged with government and advocated for improvements to these programs and helped members navigate the constantly changing rules.

Early in the pandemic, Kawartha chose to prioritize member and employee health and safety. We quickly implemented protective equipment, adjusted operational protocols, and amended branch hours to provide a safe environment for our members and employees.

REPORT TO OUR **MEMBERS** (CONTINUED)

To keep members apprised of new programs, branch hours and operating protocols, we increased communications through regular emails, social media and website posts, statement inserts, and branch signage. Our October 2020 member survey indicates that most were pleased with Kawartha's response to the pandemic. Two-thirds of respondents indicated that Kawartha has communicated frequently enough, and our messaging has been relevant, timely and valuable.

Kawartha maintained our Community Involvement Program throughout 2020, donating $215,000 to causes that make a difference in communities across our territory. Our community giving took on greater importance as many fundraising events and activities were cancelled due to the pandemic. We are proud of the Kawartha Cares program we introduced in the spring, which raised funds for food banks in our communities and numerous employee fundraising initiatives and in-kind donations which added almost $48,000 to our corporate giving for a total of $262,500. See the full Community Involvement report on page 15.

Kawartha maintained our Community Involvement Program throughout 2020, donating $215,000 to causes that make a difference in communities across our territory.

We want to acknowledge and sincerely thank our employees for the extra effort they gave in 2020. With significant shocks to business operations and the high level of uncertainty regarding the effects of the lockdown on the economy, anxiety was understandably high. To provide peace of mind, we committed at the beginning of the pandemic that no one would be laid-off due to COVID-19. We relaxed our paid time off policy for all employees to provide additional relief. Despite unprecedented challenges, our people performed like the true professionals they are, showing care for our members and each other while getting the job done. Thank you!

OPERATING RESULTS

Restrictions intended to control the spread of the virus drove a deep recession in the second quarter of 2020. In March, the Bank of Canada lowered the policy interest rate to 0.25% and initiated a bond buying program to inject liquidity into the financial system. These monetary policy actions to stimulate the economy had the effect of keeping interest rates low. Throughout the year, federal and provincial government pandemic support programs for individuals and businesses distributed massive amounts of money. Despite these actions, uncertainty about the future remained high.

As a result of low rates and ample liquidity, Kawartha experienced strong demand for residential mortgages, approving record volumes. By the end of December virtually all loan payment deferrals had expired, with members returning to regular payments. Risk in the consumer credit portfolios is considered to have increased due to deterioration in the economy. However, consumer loan and mortgage delinquency at December 31, 2020 was at the lowest level of the year and below 2019. Commercial credit originations were significantly curtailed due to the impact of the recession on business confidence. Risk in the commercial credit portfolio is also considered to be higher due to the impact of lockdowns and travel restrictions on our business members. The commercial loan watchlist has grown significantly due to sectoral concerns; however, commercial loan delinquency is also low by historical standards and there were only two impaired commercial credits at the end of the year. Write-offs in 2020 were at the lowest level in the past decade. With credit risk considered to be higher for the reasons noted, we have increased our allowances for loan loss by 58% or $2.6 million, with $1.9 million of that in the provisions for performing loans. The increased provision for impaired loans is $0.7 million.

A combination of reduced spending by members and inflows from government programs led to a significant increase in deposits. Deposit growth outpaced loan growth, improving our deposit to loan ratio for the third consecutive year to 1:1. Execution of the wealth management strategy continued in 2020, leveraging new capabilities for member financial planning. Despite significant volatility in 2020 due to the pandemic, growth in our wealth management portfolios was 7.4% for the year.

One of the positive consequences of the pandemic has been increased use of our digital banking and payment technologies. Our employees proactively assisted members in adopting the technology and we saw a 38% increase in members viewing their account activity online and a 26% increase in members paying bills using our mobile app. Members' increased use of Interac e-Transfer® enabled us to adjust our service fees to significantly reduce the cost of that service. Contact Centre call volumes soared while member attendance at our branches declined. We shifted employees to support the Contact Centre, but were challenged at times to maintain our high standards for member service. We thank our members for your patience as we adapted to the increased usage.

OPERATING RESULTS (CONTINUED)

Credit unions across Canada celebrated in October when the 2020 Ipsos Financial Service Excellence Awards were released. For the sixteenth consecutive year, Canada's credit unions rank above all financial institutions for outstanding customer service to their members. Kawartha shares this dedication to member service excellence, as indicated in our 2020 member survey. Member satisfaction is high with branch service at 85% and online and mobile service at 83%. 87% of members agree that "Kawartha is an organization I can trust" and 85% agree that "Kawartha always treats me fairly."

Protecting the security and privacy of our members' and employees' confidential information is critically important to Kawartha. We continually invest time and financial resources to build layered protection to ensure this information is safe and secure. In March we enacted our Business Continuity Plan and migrated approximately 85% of our head office employees to remote work, which required enhanced security. Throughout the year we continued to strengthen our cyber security framework, including staff security training and testing. All attempts by bad actors to access our systems in 2020 were successfully repelled.

Kawartha employs a comprehensive enterprise risk management program. We regularly assess the risks to which the company is exposed, quantify those risks and compare them to approved risk tolerances, with quarterly reporting to the Board of Directors. Structural risk is dynamically managed using short-term and long-term metrics and derivatives as appropriate. We measure and manage liquidity risk and capital using 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. During 2020 all risks remained in compliance with Board approved and regulatory limits.

Member satisfaction is high with branch service at 85% and online and mobile service at 83%. 87% of members agree that "Kawartha is an organization I can trust" and 85% agree that "Kawartha always treats me fairly."

FINANCIAL RESULTS

The amount of business our members do with Kawartha is one of our primary measures of success. Overall, we saw an increase of 8% in 2020, to $74,052 per member. Membership grew and our share of the national consumer market increased by 2%.

In 2020, total assets grew by $165 million or 9% to end the year at $1.92 billion. Growth in loans to members was 6%, liquid assets were up 37% and members' deposits grew 13%. Loan growth was led by residential mortgages, up $109 million or 9%, while the commercial credit portfolio remained unchanged. Deposit growth came from demand deposits up $153 million or 34% and term deposits up $35 million or 4%. Kawartha maintained its healthy financial position with capital and liquidity both well in excess of regulatory and Board policy requirements.

Pre-tax income increased 7%, despite significantly increased allowance for loss on performing loans.

The positive effect of strong growth in the loan and deposit portfolios was partially offset by margin compression resulting from declining loan and deposit rates in 2020. Consequently, the Financial Margin remained relatively flat, increasing by just 1%.

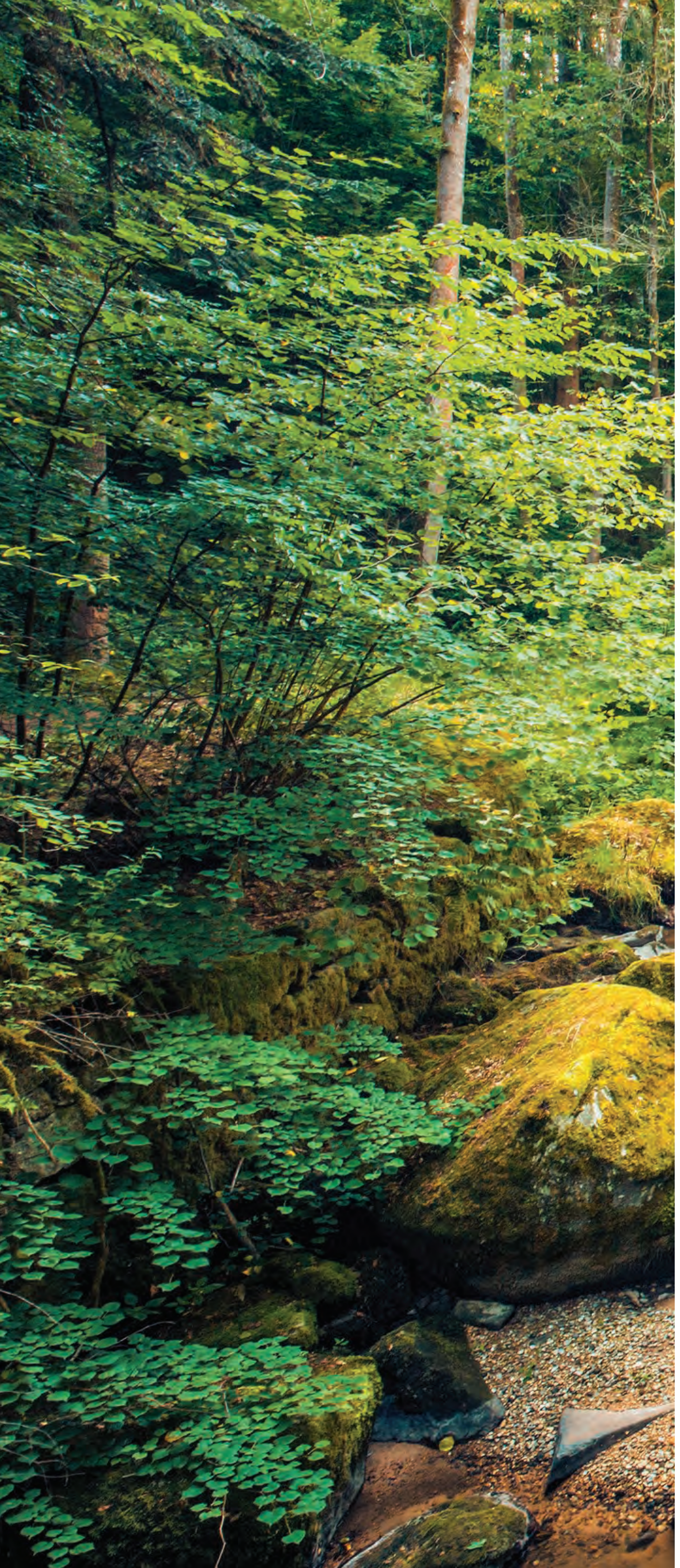
In late 2019 we entered into interest rate swap derivatives to protect against a decline in rates. The swaps, which matured in January 2021, returned $0.75 million of income, which is included in Other Income and accounts for most of the increase in that revenue line.

During 2020 Kawartha distributed over $1 million to our members in the form of Affinity Shares; our profit-sharing program. Cumulatively, we have returned $16.9 million of profits to our members during the thirteen years this program has been in place.

Adjustments made in 2019 enabled us to reduce the overhead before loan losses by $1.4 million or 3.5% in 2020. The loan loss expense increased by $3 million, resulting in a net increase of $1.6 million or 3.9% in Operating Expenses.

Consequently, Operating Income decreased 7% to $5.3 million before a gain on investments of $0.7 million, providing a pre-tax income of $6.0 million. The pre-tax return on average equity was 5.3% and supported the approval of a 4% dividend on Class A Investment Shares and a 3% dividend on Class B Affinity Shares, paid in early 2021.

During 2020 Kawartha distributed over $1 million to our members in the form of Affinity Shares; our profit-sharing program. Cumulatively, we have returned $16.9 million of profits to our members during the thirteen years this program has been in place. The more business you do with Kawartha, the bigger your share of the profits.



FUTURE PLANS

The past year provided a blunt reminder of how plans can change. The pandemic caused us to reprioritize some items as we added new initiatives to cope with the health threat. Uncertainty remains regarding when we will exit the pandemic, contingent on the vaccination of large segments of the population and control of the spread of the more transmissible variants.

Last year we reported plans to upgrade our online and mobile banking system with the objective of enhancing each member experience. This includes taking advantage of a modernized payments system and open banking framework to offer exciting new products and services. Progress was slowed on all fronts, but this remains our plan. We are currently in the process of redesigning our website, the necessary first step.

In early 2020 we launched our "chatbot", dubbed KC, which responds around the clock to general information inquiries. We have plans to add account inquiries and transactions to KC's abilities in 2021. Work on touchless scanners was delayed by an unexpected technical challenge, but we plan to install them in all branches in 2021 for added convenience and security.

Deployment of the Mobile Solution Centre to serve smaller communities was deferred during the pandemic, as the compact design does not allow for physical distancing. Progress will resume when it is safe to do so. A comprehensive mobile strategy was developed in 2020 and we are currently in discussion with two communities.

On behalf of the Board of Directors and management, we thank all members for bringing us more of your business and for your confidence in Kawartha to help you reach your financial goals. We also extend our sincere gratitude to our employees for your outstanding service under challenging and unique conditions. We are proud of your dedication to our members' success and for showing care for others during these uncertain times.

Respectfully submitted,

Harvey Spry
Chair of the Board
of Directors

Robert Wellstood
Chief Executive Officer

BOARD OF DIRECTORS

HARVEY SPRY
Chair of the Board

NANCY HERR
Vice Chair

JEFF CARTER
Corporate Secretary

PAUL AYOTTE
Governance Committee Chair

GERARD BYRNE
Nominating Committee Chair

ALLISON CHENIER
Audit Committee Chair

CARL SILVESTRI
Human Resources Committee Chair

EMMA ELLEY

ROBERT LAKE

MIKE MINICOLA

MARY CLAIRE MOHER

EXECUTIVE LEADERSHIP TEAM

ROBERT WELLSTOOD
Chief Executive Officer

MARK OAKES
Chief Financial Officer

BRAD BEST
Executive Vice President, Information Systems

JENNIFER GAUTHIER
Executive Vice President, Human Resources

CRYSTAL DAYMAN
Executive Vice President, Marketing and Corporate Communications

Kawartha is truly a purpose-driven company dedicated to supporting the financial success and well-being of our members and the communities we serve.

MESSAGE FROM THE BOARD OF DIRECTORS

During 2020 our Chief Executive Officer, Rob Wellstood, provided the Board of Directors with his intent to retire on June 30, 2021. The Board struck an Ad Hoc Recruitment Committee and engaged a search firm to help locate a suitable replacement. The search is well underway, and we expect to announce Rob's replacement well before his planned retirement date.

Rob joined Kawartha in 1993 as Controller and was appointed CEO in 2002. The credit union has grown significantly under his leadership, with a track record of profitability that has supported the uninterrupted payment of dividends and distribution of $16.9 million of profits back to members while building a strong capital base. The Board extends sincere thanks to Rob for his dedication to Kawartha and the values that make it special.

MESSAGE FROM THE CEO

It has been a privilege to serve as Kawartha Credit Union's Chief Executive Officer. The opportunity to lead such a wonderful group of committed people is a rare blessing I will always treasure. Kawartha is truly a purpose-driven company dedicated to supporting the financial success and well-being of our members and the communities we serve. Staying true to that purpose and our values has enabled success in both good and difficult times; something I am proud of. Thank you to all employees and retirees, for your support and dedication to Kawartha's success. Special thanks to my peers on the Executive Team for bringing your best every day, for leading the company to new heights, and for advising and challenging me. Working with you has been rewarding, and I have greatly appreciated our camaraderie. Thank you to current and past Directors for giving me this opportunity, for your support and encouragement. Most importantly, thank you to our members for your patronage. Best wishes to all - employees, Directors and members - for continued success.

Robert Wellstood
Chief Executive Officer

REPORT FROM THE **GOVERNANCE COMMITTEE**

The Governance Committee is a Board committee composed of five Directors and is responsible for assisting the Board in providing appropriate governance for Kawartha Credit Union. It fulfills 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 2020. Key activities included:

1. Provided oversight for 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 2021.

2. Completed a thorough review of Kawartha's By-laws, recommending amendments to assist recruitment of qualified directors and improve clarity relative to the procedure by which Committee members and Committee Chairs are appointed.

3. Reviewed and recommended role descriptions for Board Chair, Board Vice Chair and Committee Chairs.

4. Monitored Directors' compliance with the mandatory education program and ensured Directors received annual training on residential mortgage securitization, anti-money laundering, privacy legislation and cyber security.

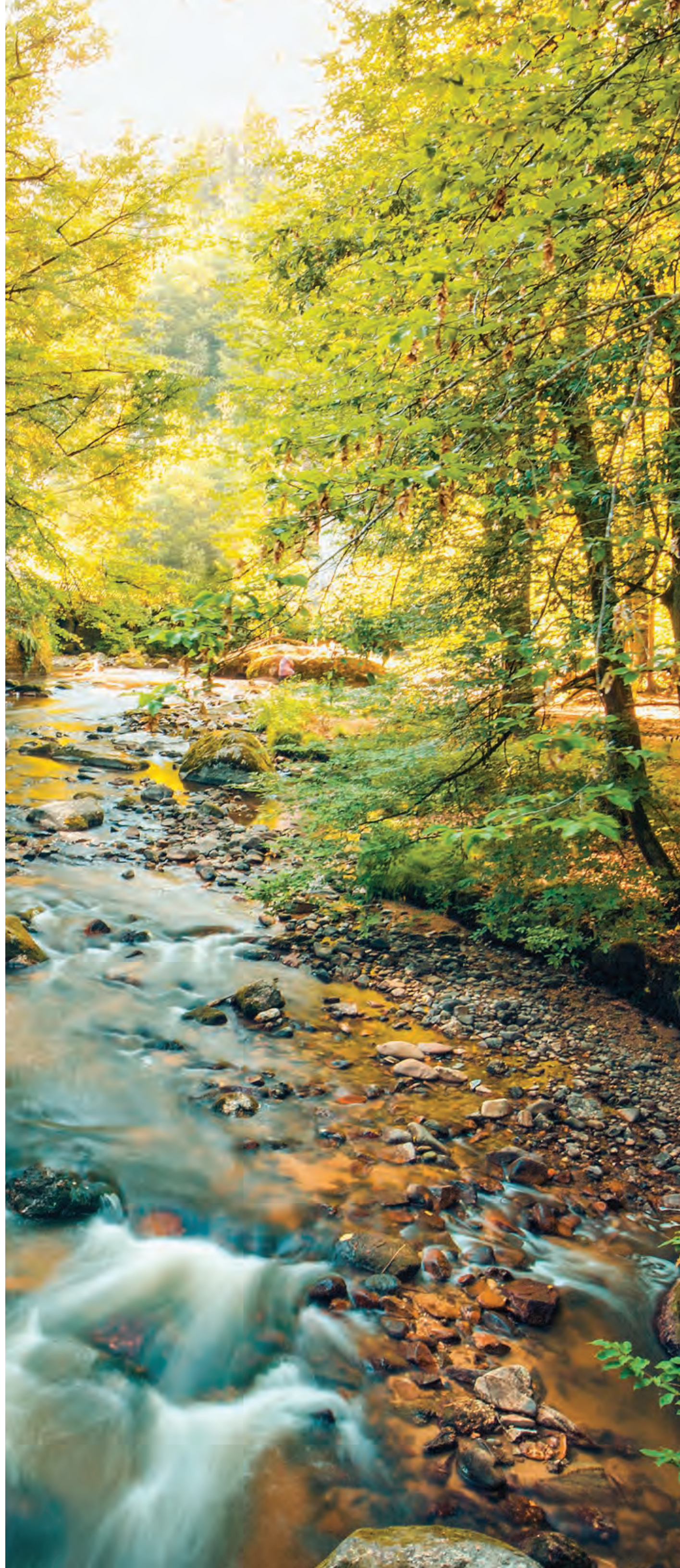
5. Reviewed and made a recommendation to the Board regarding Director remuneration.

6. Completed the annual review of the Corporate Governance Policy and recommended updates to the Board.

Respectfully submitted,

Paul Ayotte, Committee Chair

Committee Members: **Gerard Byrne**, **Allison Chenier**, **Jeff Carter**, **Bob Lake**



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. Kawartha's 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 Board 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 five times during the 2020 fiscal year to complete its responsibilities including:

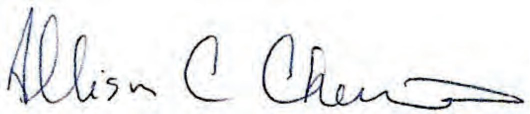
- Review the financial statements and results of the year end audit with the external auditor;
- Review management's response to the audit findings and oversee resulting actions, if any, recommending both to the Board;
- Review the performance of the external auditor and their proposed engagement letter;
- Review the internal audit charter and annual internal audit plan, and recommend both to the Board for approval;
- Meet privately with the Senior Manager, Internal Audit, review the performance of the internal audit activities and the resulting reports and oversee management actions to implement recommendations;
- 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;

REPORT FROM THE **AUDIT COMMITTEE** (CONTINUED)

- 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 and review performance of the Committee Chair.

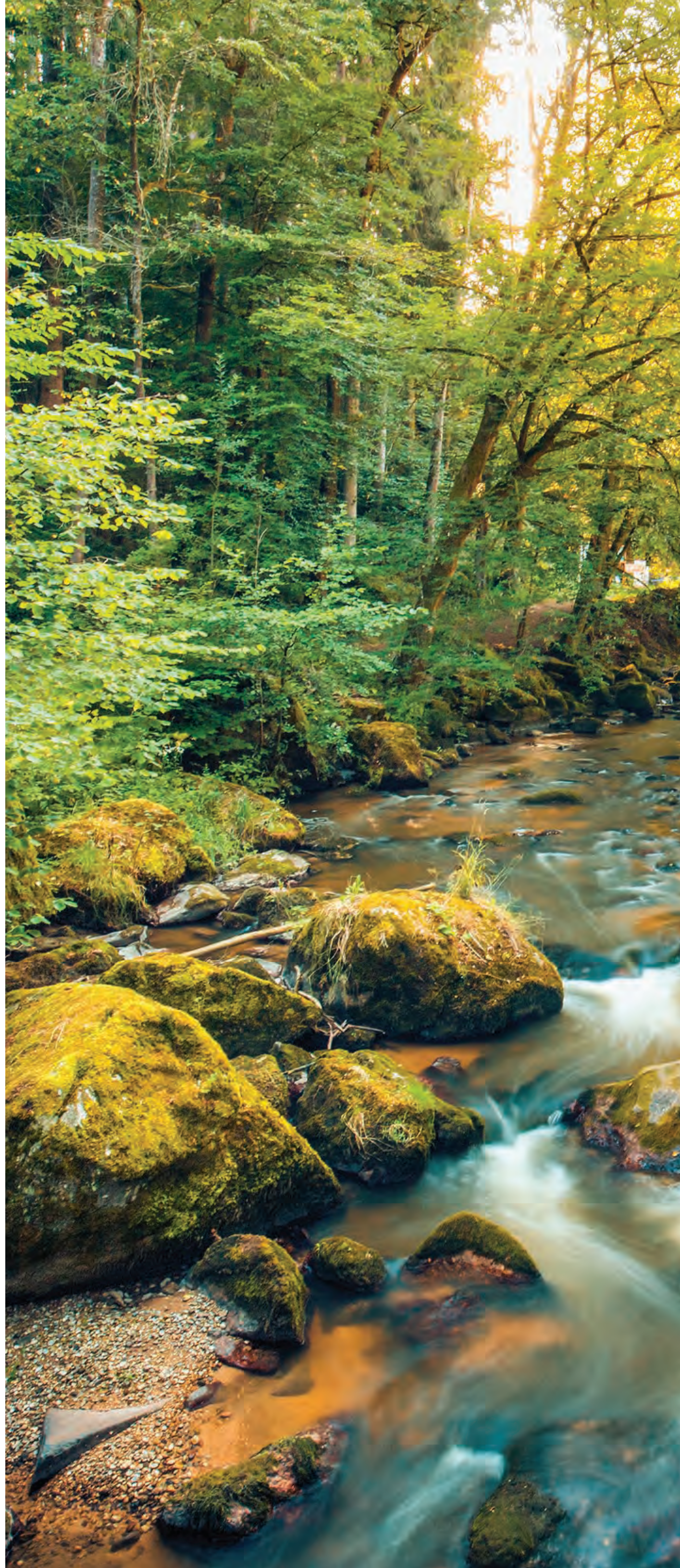
Management has implemented all Committee recommendations and there are no matters which the Committee believes should be reported to the members or which are required to be disclosed pursuant to the Act or the regulations.

Respectfully submitted,



Allison Chenier, Committee Chair

Committee Members: **Paul Ayotte**, **Mike Minicola**, **Mary Claire Moher**



INFORMATION SERVICES

Kawartha Credit Union began our digital transformation with the implementation of a new core banking system in 2018. This technology laid the foundation for Kawartha to continue to introduce new technological advancements and improve the service experience for our members. Since then we have been actively transforming technologies, systems and processes to enable the development of new product and service delivery channels.

Facebook	World's largest media company	Owns no content
Alibaba	World's largest merchant	Owns no inventory
Google	World's largest software vendor	Doesn't write most apps
Uber	World's largest taxi company	Owns no cars
Airbnb	World's largest hotel chain	Owns no property
Skype	World's largest phone company	Owns no telco infrastructure
Netflix	World's largest movie house	Owns no theatres

Over the next 5 years, the financial services industry will continue to undergo phenomenal digital transformation. We are entering a frontier that will introduce digital possibilities that most of us couldn't have imagined even a decade ago. To illustrate this transformation, the chart below shows how companies are using digital platforms to move into spaces previously dominated by traditional "bricks and mortar" or "physical" presences: Digital Transformation encompasses more than a new suite of software or technology tools: it's about being able to react quickly and successfully implement new technologies and procedures that will serve our short-term needs, while enabling future development to remain competitive.

A digitally transformed Kawartha will use new technologies, partnerships and applications, devices and systems, and network and transaction process capabilities to create a more profitable and streamlined business model. This model will be able to immediately react to opportunities while staying true to our core values and established strategic and business plans. We will continue to develop operating processes that continually drive efficiency and speed in the back end of our operations while delivering superior member service through both traditional and digital channels.

In 2021 we are concentrating on integrating artificial intelligence systems and expanding our business analytics capabilities to further understand precise member trends in a manner that will allow us to better meet our member's individual needs. We are working with our members during all interactions to ensure the accuracy and completeness of our data which enhances our ability to better serve member needs while meeting regulatory requirements. Extensive programs are also underway to train our employees for a successful transition to a digital business environment.

A necessary component of digital transformation is an increased focus on cyber security in every area of our business. We have established formal relationships with external expert companies to support select cyber security activities, in addition to implementing an IT and Cyber Security governance framework that is continuously evaluated and evolved to maintain adherence to best practices and ensure maximum protection of our members and systems. This includes mandatory training for our staff. We continue to evaluate our cyber security capabilities, including in 2020 the successful testing of our employee readiness through a third party hired by Kawartha.

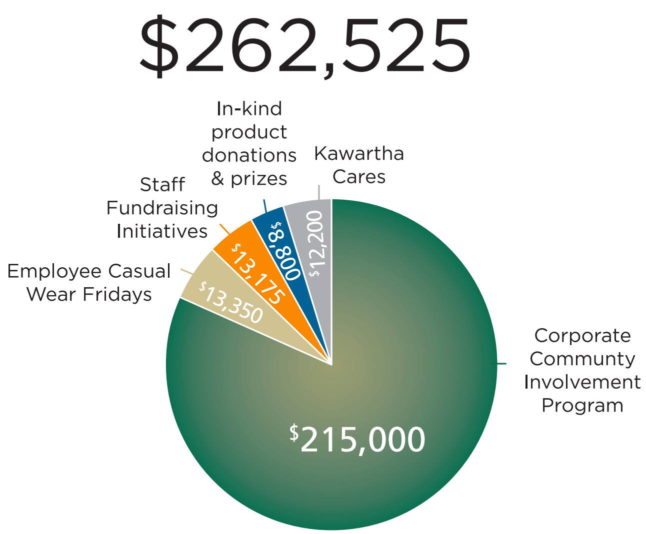
Digital transformation is a journey of change and innovation for Kawartha. It will allow us to compete and grow, while effectively, efficiently and conveniently delivering the products and services our members need and expect.

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 $2.9 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 our employees' efforts 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 2020, the recipient of this award was the dedicated team at our South River branch.

At Kawartha Credit Union, we know our community involvement 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	$23,956	$7,425	$5,355	$105	**$36,841**
Central	$57,535	$25,300	$20,869	$11,600	**$115,304**
Eastern	$28,100	$14,755	$17,000	$3,000	**$62,855**

Northern Region: Bancroft, 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**

Despite a year fraught with challenges, Kawartha remained steadfast in our commitment to employee engagement. Our primary focus in 2020 was health and safety, striving to ensure that employees felt supported during stressful and uncertain times. This focus was demonstrated through various communication channels, additional Health and Safety Committee meetings and significant investments in new procedures and protection measures.

Since the onset of the Covid-19 pandemic, we have seen a rapid transformation in how we work, and for many, the transition to remote work. To support this more digitalized environment, we implemented a host of technologies to facilitate business processes, communication, and the learning and development of our employees.

In an ever-changing world, continuous learning is important to maintaining an engaged workforce and supporting our members. We continue to invest in our employees and we support their efforts to improve their skills. In 2020, 51 employees received promotions, 53 completed various accreditations and almost 100 were involved in continuing their education through creating a development plan, finishing a learning program or taking an externally offered course.

Kawartha genuinely cares about our employees and we seek to continuously improve their work experience. We encourage transparent communication throughout the company, and we support an open-door policy. We have worked hard for over a decade to strengthen engagement so that we can pursue our purpose with pride and live our values with authenticity.

Our primary focus in 2020 was health and safety, striving to ensure that employees felt supported during stressful and uncertain times.

2020 RECOGNITION AWARDS

BRANCH AWARDS

Highest Overall Growth %
Hunter Street

Highest Overall Growth $
Rockhaven

INDIVIDUAL AWARDS

Glen Davies Award
Lisa Coburn (Investment Representative, Chemong)

Extra Mile Award
Carly Evans - Contact Centre/Advisor Support Associate

Dawson Stone - Member Experience Coordinator, Napanee

Jordan Crowe - Help Desk Analyst/ Systems Technician

Tanya deWitt - Lending Representative, Trenton

Manager of the Year Award
Cindy Kennelly, Napanee

COMMUNITY COMMITMENT

South River

Join our Circle of Friends...

Refer a friend or family member and you could win $500!

kawartha
CREDIT UNION

Strength in members

Kawartha Credit Union Limited

Financial Statements

At December 31, 2020

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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, 2020, 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, 2020, 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 23, 2021

KAWARTHA CREDIT UNION LIMITED

Statement of Financial Position

December 31	2020	2019
	(thousands of Canadian dollars)	
Assets		
Cash resources (Note 8)	**$ 14,280**	$ 15,328
Liquidity deposits (Note 8)	**144,113**	104,820
Investments (Note 11)	**18,221**	8,349
Derivative financial instruments (Note 10)	**1,007**	635
Members' loans (Note 4)	**1,667,903**	1,574,351
Other assets (Note 15)	**28,075**	10,040
Property and equipment (Note 20)	**25,382**	23,874
Right-of-use assets (Note 21)	**19,403**	15,549
	$ 1,918,384	$ 1,752,946
Liabilities and Members' Equity		
Liabilities		
Term loans (Note 14)	**$ -**	$ 12,000
Members' deposits (Note 5)	**1,630,258**	1,443,107
Accounts payable and accrued liabilities	**9,550**	7,700
Derivative financial instruments (Note 10)	**407**	677
Securitized mortgages under administration (Note 12)	**136,499**	155,207
Members' shares (Note 6)	**1,314**	1,201
Employee future benefits (Note 19)	**5,721**	5,518
Lease liabilities (Note 21)	**19,833**	15,762
	1,803,582	1,641,172
Members' Equity		
Class A Investment shares (Note 6)	**40,340**	40,340
Class B Affinity shares (Note 6)	**15,529**	14,573
Contributed surplus	**581**	558
Retained earnings	**58,099**	56,050
Accumulated other comprehensive income	**253**	253
	114,802	111,774
	$ 1,918,384	$ 1,752,946

Approved by the Board:

Harvey Spry Director

Allison C Chen 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	2020	2019
	(thousands of Canadian dollars)	
Financial Revenue		
Interest on members' loans	$ 56,814	$ 57,672
Investment income	1,897	1,854
	58,711	59,526
Financial Expense		
Interest on members' deposits	21,531	22,785
Interest on borrowings	334	292
	21,865	23,077
Financial Margin	36,846	36,449
Other Income (Note 16)	10,287	9,514
	47,133	45,963
Operating Expenses		
Salaries and employee benefits	22,732	24,610
Loan loss expense	3,042	49
Occupancy (Note 21)	4,788	4,491
Banking costs	858	831
Other expenses (Note 17)	3,012	3,663
Information system costs	4,850	4,096
Deposit insurance	1,391	1,175
Promotion	893	1,112
Directors' expenses	277	247
	41,843	40,274
Operating Income	5,290	5,689
Gain (loss) on investments	734	(17)
Patronage distributions (Note 6)	(1,054)	(1,028)
Income before income taxes	4,970	4,644
Income tax expense (Note 18)	274	(101)
Net Income	$ 4,696	$ 4,745

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	2020	2019
	(thousands of Canadian dollars)	
Net Income (Page 5)	$ 4,696	$ 4,745
Other comprehensive income		
Actuarial loss on remeasurement of defined benefit non-pension plans (Note 19)	-	(25)
Comprehensive income	$ 4,696	$ 4,720

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, 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
Net income	-	-	-	4,696	4,696
Dividends (Note 6)	-	-	-	(2,658)	(2,658)
Class B Affinity Shares					
Net share issuance	-	-	990	-	990
Forfeitures	-	-	(34)	34	-
Balance on December 31, 2020	$ 253	$ 40,340	$ 15,529	$ 58,680	$ 114,802

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	2020	2019
	(thousands of Canadian dollars)	
Operating activities		
Net income	$ 4,696	$ 4,745
Adjustments for non-cash items:		
Depreciation on property and equipment	3,158	2,693
Depreciation on right-of-use assets	829	1,074
Gains (losses) on investments	(734)	17
	7,949	8,529
Changes in operating assets and liabilities:		
Other assets	(18,035)	(5,749)
Derivative financial instruments	(642)	365
Accounts payable and accrued liabilities	1,850	3,110
Employee future benefits	203	219
Increase in members' deposits	187,151	115,040
Increase in members' loans	(92,893)	(67,496)
(Increase) decrease in accrued interest receivable	(659)	(181)
Total cash inflows (outflows) from operating activities	84,924	53,837
Financing Activities		
Increase in liquidity deposits	(39,293)	(5,887)
Repayment of term loans	(12,000)	(14,000)
Proceeds of mortgage securitization	27,979	36,145
Payment of mortgage securitization liabilities	(46,687)	(69,600)
Class B Affinity shares net issued	990	864
Increase in membership shares	113	17
Dividends paid to members	(2,658)	(2,597)
Principal paid on lease liabilities	(613)	(861)
Total cash outflows from financing activities	(72,169)	(55,919)
Investing Activities		
Purchases of property and equipment (net of disposals)	(4,665)	(2,042)
Increase in investments (net)	(9,138)	(221)
Total cash outflows from investing activities	(13,803)	(2,263)
Net decrease in cash resources	(1,048)	(4,345)
Cash resources, beginning of year	15,328	19,673
Cash resources, end of year	$ 14,280	$ 15,328

Refer to Note 23 for supplementary cash flow information.

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, TFSAs, mutual funds, automated banking machines ("ABMs"), debit and credit cards, and online and mobile 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 23, 2021.

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 whether the loan receivables due from qualifying borrowers under the CEBA program meet the derecognition criteria for financial assets in IFRS 9 (Note 4);
- 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).

2. BASIS OF PRESENTATION (continued)

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, 2020 did not materially affect the Credit Union's financial statements.

4. MEMBERS' LOANS

	2020	2019
	(thousands of Canadian dollars)	
Residential mortgages	$ 1,269,180	$ 1,160,603
Personal Loans	83,388	96,398
Commercial loans	318,820	318,857
	1,671,388	1,575,858
Accrued interest receivable	3,657	2,998
Allowance for impaired loans	(7,142)	(4,505)
Net members' loans	$ 1,667,903	$ 1,574,351

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 1.36% to prime plus 20.05%. The rate is determined by the type of security offered and the members' credit worthiness. The Credit Union's prime rate at December 31, 2020 was 2.95%.

The interest rate offered on fixed rate loans being advanced at December 31, 2020 ranges from 1.88% to 13.81%. 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 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.

4. MEMBERS' LOANS (continued)

Loan Deferral Program

During the year, the Credit Union extended their loan deferral option to provide immediate and long-term relief to qualified borrowers. Approximately 1,000 members participated in the loan deferral option. As at December 31, 2020, only 49 members had deferrals in place with a combined loan balance of $6,833,184.

Average Yields to Maturity

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

	2020		2019	
	Principal	Yield (%)	Principal	Yield (%)
			(thousands of Canadian dollars)	
Variable Rate	$ 215,230	5.11	$ 252,859	6.23
Fixed rate due less than one year	253,655	3.21	244,137	3.66
Fixed rate due between one and five years	1,202,503	3.41	1,078,862	3.56
	$ 1,671,388		$ 1,575,858	

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.

As part of the Loan Deferral Program, the terms of the modification are evaluated to determine 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.

4. MEMBERS' LOANS (continued)

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.

During the year, the Credit Union administered the Canada Emergency Business Account ("CEBA") program on behalf of the Government of Canada. The Credit Union provided lending to businesses who qualified for CEBA ("qualifying borrower"). In exchange for the services, the Government will pay the financial institution an administration fee.

Per the terms of the agreement, it is determined that the Credit Union meets the derecognition criteria for the loans advanced to the borrower; therefore the loans administered under the CEBA program are not recognized on the Statement of Financial Position.

During the year, the Credit Union also agreed to administer the Business Credit Availability Program (BCAP) on behalf of the Government of Canada and its agencies. As of December 31, 2020 there were no loans funded under this program.

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.

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.

4. MEMBERS' LOANS (continued)

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. Due to COVID-19, the Board of Directors also receives status of the clients that are participating in the expanded 2020 Loan Deferral Program.

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 except for the Credit Union's adoption of a third party tool to assist in the measurement and quantification of the Credit Union's allowance for loan losses for ECL Stage 1 and 2 member loans.

4. MEMBERS' LOANS (continued)

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:

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
Definition	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.	Following a significant increase in credit risk (SICR) relative to the initial recognition of the financial asset.	When a financial asset is considered to be credit-impaired (i.e. when credit default has occurred).
Criteria for movement	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 credit risk committee. 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.	For commercial loans on the watch list, the Credit Union categorizes their riskiness based on three risk levels. The Credit Union determines a SICR has occurred when a commercial loan moves to a risk level 2 or 3 on the watch list due to a number of factors, including deteriorating financial results, potential security shortfalls or adverse developments of the borrower. Commercial watch list loans that are considered to be in a high risk industry but show no signs of a deteriorating financial results, potential security shortfalls or adverse developments of the borrower are deemed to be risk level 1 and classified as Stage 1. Commercial loans where the Credit Union has, for one reason or another, initiated the exiting process but not considered to be impaired, are kept on their watch list and classified in stage 2 until they are paid out. For residential mortgages, a SICR has occurred if payments are over 29 days past due and the mortgage is uninsured. For personal loans and lines-of-credit, a SICR has occurred if payments are over 29 days past due and not secured by real estate.	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.

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>ECL methodology</td><td>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)</td><td colspan="2">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)</td></tr>
<tr><td>Collective or individual assessment</td><td colspan="2">Loans are individually assessed based on risk characteristics including loan type, loan-to-value, quality of security, borrower risk assessment, and for commercial loans, the industry of the borrower.</td><td>Each credit-impaired member loan is individually assessed.</td></tr>
<tr><td>Application of ECL methodology</td><td colspan="2">Expected credit loss is measured for each loan on the basis of an explicit probability of default 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 default and loss experiences for similar member loans, adjusted for current economic conditions and forecasts of future economic conditions. Loss rates are also applied to the estimate of drawdown for undrawn loan commitments (unadvanced loans and unused lines of credit).</td><td>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.</td></tr>
<tr><td>Key forward-looking information</td><td colspan="3">Unemployment rates, housing price indices, national data for real GDP, household debt levels and Government of Canada bond rates in addition to other relevant economic information impacting the markets where the Credit Union does business are all considered when determining loss rates.</td></tr>
</table>

4. MEMBERS' LOANS (continued)

Credit Quality Analysis

The following table sets out our credit risk exposure for loans as at December 31, 2020. 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.

	2020				2019
	Stage 1	Stage 2	Stage 3	Total	Total
					(thousands of Canadian dollars)
Residential Mortgages					
Current	$1,253,607	$ -	$ -	$1,253,607	$1,139,522
> 30 Days Past Due	1,773	5,362	-	7,135	12,414
Credit Impaired	-	-	10,032	10,032	10,058
	1,255,380	5,362	10,032	1,270,774	1,161,994
Allowance for loan losses	(714)	(29)	(52)	(795)	(704)
Carrying Amount	1,254,666	5,333	9,980	1,269,979	1,161,290
Personal Loans					
Current	$ 80,985	$ -	$ -	$ 80,985	$ 93,506
> 30 Days Past Due	-	776	-	776	1,348
Credit Impaired	-	-	1,726	1,726	1,650
	$ 80,985	$ 776	$ 1,726	$ 83,487	$ 96,504
Allowance for loan losses	(823)	(33)	(1,259)	(2,115)	(1,794)
Carrying Amount	80,162	743	467	81,372	94,710
Commercial Loans					
Current	$ 191,963	$ -	$ -	$ 191,963	$ 289,334
> 30 Days Past Due	35	-	-	35	50
Watch List Loans	68,544	53,897	-	122,441	27,963
Credit Impaired	-	-	6,345	6,345	3,011
	$ 260,542	$ 53,897	$ 6,345	$ 320,784	$ 320,358
Allowance for loan losses	(744)	(1,714)	(1,774)	(4,232)	(2,007)
Carrying Amount	259,798	52,183	4,571	316,552	318,351
Balance at December 31, 2020	$1,594,626	$ 58,259	$ 15,018	$1,667,903	$1,574,351

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:

	2020				2019
				(thousands of Canadian dollars)	
	Residential Mortgages	Personal Loans	Commercial	Total	Total
Unadvanced Loans	$ 7,339	$ -	$ 29,401	$ 36,740	$ 40,907
Unused Lines of Credit	-	163,776	30,512	194,288	176,718
	$ 7,339	$ 163,776	$ 59,913	$ 231,028	$ 217,625

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.

	2020				2019
				(thousands of Canadian dollars)	
Residential Mortgage	Stage 1	Stage 2	Stage 3	Total	Total
Balance at January 1	$ 650	$ 22	$ 32	$ 704	$ 645
Transfer to Stage 1	14	(12)	(2)	-	-
Transfer to Stage 2	(2)	2	-	-	-
Transfer to Stage 3	(2)	(2)	4	-	-
Net remeasurement of allowances for loan losses	(176)	19	65	(92)	(121)
New members loans originated	230	-	-	230	114
Loans written off	-	-	(47)	(47)	-
Recoveries of amounts previously written off	-	-	-	-	66
Balance at December 31	$ 714	$ 29	$ 52	$ 795	$ 704

4. MEMBERS' LOANS (continued)

	2020				2019
				(thousands of Canadian dollars)	
Personal Loans	Stage 1	Stage 2	Stage 3	Total	Total
Balance at January 1	$ 638	$ 113	$ 1,043	$ 1,794	$ 1,569
Transfer to Stage 1	90	(72)	(18)	-	-
Transfer to Stage 2	(3)	3	-	-	-
Transfer to Stage 3	(4)	(12)	16	-	-
Net remeasurement of allowances for loan losses	(90)	(2)	569	477	597
New members loans originated	192	3	19	214	363
Loans written off	-	-	(476)	(476)	(799)
Recoveries of amounts previously written off	-	-	106	106	64
Balance at December 31	$ 823	$ 33	$ 1,259	$ 2,115	$ 1,794

	2020				2019
				(thousands of Canadian dollars)	
Commercial Loans	Stage 1	Stage 2	Stage 3	Total	Total
Balance at January 1	$ 461	$ 280	$ 1,266	$ 2,007	$ 2,944
Transfer to Stage 1	126	(126)	-	-	-
Transfer to Stage 2	(58)	58	-	-	-
Transfer to Stage 3	(2)	-	2	-	-
Net remeasurement of allowances for loan losses	(7)	1,238	494	1,725	(1,083)
New members loans originated	224	264	-	488	161
Loans written off	-	-	(5)	(5)	(61)
Recoveries of amounts previously written off	-	-	17	17	46
Balance at December 31	$ 744	$ 1,714	$ 1,774	$ 4,232	$ 2,007

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, 2020:

	2020 (thousands of Canadian dollars)
Mortgages	$ 47
Personal Loans	476
Commercial Loans	5
	$ 528

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.

Quality of Collateral Held

To manage credit risk, collateral or security may be provided by members for loans granted. For impaired loans, an assessment of the collateral is taken into consideration when estimating the expected future cash flows and net realizable amount of the loan. Collateral accepted by the Credit Union includes real estate as well as non-real estate assets, including vehicles, certain business assets (accounts receivable, inventory and fixed assets), assignment of wages or term deposits, personal guarantees and general security agreements. It is not practical to value all collateral as at the reporting date due to the variety of the nature of the assets. The table below provides a breakdown of the Credit Union's loan portfolios based on security type.

4. MEMBERS' LOANS (continued)

	2020				2019
				(thousands of Canadian dollars)	
	Residential	Personal Loans	Commercial Loans	Total	Total
Secured by Real Estate	$1,270,774	$2,175	$312,869	$1,585,818	$ 1,478,010
Secured by Non-Real Estate	-	78,942	7,779	86,721	97,370
Unsecured	-	2,370	136	2,506	3,475
	$1,270,774	$83,487	$320,784	$1,675,045	$ 1,578,855

Residential mortgage loans include $299,047,644 (2019 - $268,791,500) of loans insured by Canada Mortgage and Housing Corporation or Genworth. The total collateral held for member loans in stage 3, with collateral capped at the loan value before allowance that they are held against, is $15,087,701. 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 in addition to credit risk from commercial loan industry concentration.

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 3.38% (2019 - 3.58%) and the weighted average term to maturity was 2.17 years (2019 - 2.23 years). The fair value of members' loans as at December 31, 2020 is as follows:

	2020	2019
	(thousands of Canadian dollars)	
Residential mortgages	$ 1,279,618	$ 1,174,465
Personal loans	83,641	87,349
Commercial loans	322,339	321,025
	$ 1,685,598	$ 1,582,839

5. MEMBERS' DEPOSITS

	2020	2019
	(thousands of Canadian dollars)	
Chequing accounts	$ 422,380	$ 297,523
Demand savings accounts	181,807	153,855
Term deposits	553,665	542,688
Registered retirement savings plans	154,548	157,150
Registered retirement income funds	103,304	95,070
Tax free savings account	205,388	186,746
	1,621,092	1,433,032
Accrued interest on member deposits	9,166	10,075
	$ 1,630,258	$ 1,443,107

Terms and Conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 0.05% at December 31, 2020. 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 0.55% at December 31, 2020. 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, 2020 range from 0.20% to 1.25%.

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 0.05% at December 31, 2020.

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 0.30% at December 31, 2020.

Included in demand savings accounts and term deposits is an amount of $5,297,946 (2019 - $5,281,896) denominated in US dollars.

5. MEMBERS' DEPOSITS (continued)

Average Yields to Maturity

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

	2020		2019	
	Principal	Yield (%)	Principal	Yield (%)
			(thousands of Canadian dollars)	
Variable rate	$ 604,187	0.18	$ 451,396	0.43
Fixed rate due less than one year	655,693	1.52	686,388	2.00
Fixed rate due between one and five years	361,212	2.11	295,248	2.44
	$ 1,621,092		$ 1,433,032	

ii) 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.

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 minimum liquidity requirements throughout the fiscal period.

5. MEMBERS' DEPOSITS (continued)

As at December 31, 2020, the position of the Credit Union is as follows:

	Maximum Exposure
	(thousands of Canadian dollars)
Qualifying liquid assets on hand	
Cash resources	$ 14,280
Liquidity reserve deposit	144,113
	158,393
Minimum liquidity requirement	123,031
Excess liquidity requirement	$ 35,362

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, 2020 is as follows:

	2020	2019
	(thousands of Canadian dollars)	
Chequing and demand savings accounts	$ 604,187	$ 397,622
Term deposits	560,778	565,803
Registered plans	469,021	473,897
	$ 1,633,986	$ 1,437,322

For fixed rate deposits, the weighted average market interest rate used in estimating fair value was 1.56% (2019 - 1.94%) and the weighted average term to maturity was 1.00 years (2019 - 1.01 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.

	2020		2019	
	Equity	Liability	Equity	Liability
			(thousands of Canadian dollars)	
Membership Shares	$ -	$ 1,314	$ -	$ 1,201
Class A Investment Shares (net of issuance costs)	40,340	-	40,340	-
Class B Affinity Shares	15,529	-	14,573	-
	$ 55,869	$ 1,314	$ 54,913	$ 1,201

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, 2020, there were 262,814 membership shares issued (2019 - 240,247).

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, 2020, there were 40,677,054 Class A shares issued (2019 - 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, 2020 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, 2020, there were 15,528,621 Class B Affinity shares issued (2019 - 14,572,642). 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 2020, the Credit Union issued 1,053,999 (2019 - 1,027,667) Class B Affinity Shares, recorded as an expense on the Statement of Income. For junior members and RRIF accounts, the Credit Union paid $30,670 (2019 - $30,307) in cash dividends, recorded in the Statement of Changes in Members' Equity. In total, the Credit Union recorded patronage allocations of $1,084,669 (2019 - $1,057,704). Class B shares available for redemption as of December 31, 2020 total 1,006,597.

Distributions to Members

Dividends recorded to Members' Equity are as follows:

	2020	2019
	(thousands of Canadian dollars)	
Dividends on Class A shares	$ 2,034	$ 2,033
Dividends on Class B Affinity shares	624	564
	$ 2,658	$ 2,597

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, 2020 was $877,739,277 (2019 - $831,173,806).

7. CAPITAL MANAGEMENT (continued)

Loans issued under the CEBA program are excluded from risk-based capital and leverage ratios as the Credit Union meets the derecognition criteria for the loans advanced to the borrower; therefore the loans administered under the CEBA program are not recognized on the Statement of Financial Position. Total regulatory capital is composed of Tier 1 and Tier 2 Capital as follows:

	2020	2019
	(thousands of Canadian dollars)	
Tier 1 Capital		
Class A Investment Shares	$ 40,340	$ 40,340
Class B Affinity Shares	15,529	14,573
Less: Redeemable Portion of Class A and Class B Shares	(3,616)	(3,524)
Membership Shares	1,314	1,201
Contributed Surplus	581	558
Retained Earnings	58,099	56,050
Total Tier 1 Capital	112,247	109,198
Tier 2 Capital		
Redeemable portion of Class A and Class B Shares	3,616	3,524
Allowance for Loan Loss	4,056	2,164
Total Tier 2 Capital	7,672	5,688
Total regulatory capital	$ 119,919	$ 114,886

The applicable capital ratios are as follows:

	2020	2019
Tier 1 Capital to Risk Weighted Assets	12.79 %	13.14 %
Total Regulatory Capital to Risk Weighted Assets	13.66 %	13.82 %
Total Regulatory Capital to Total Assets	6.25 %	6.55 %

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, 2020 is 0.74% (2019 - 1.51%). 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.

At December 31, 2020 the Credit Union was required to maintain liquidity reserves with Central 1 at 6.00% of total assets. On October 15, 2020, the Credit Union signed an agreement with Central 1 to exchange those liquidity deposits for investment grade marketable securities of similar duration as part of a transaction to terminate the Mandatory Liquidity Pool, effective January 1, 2021. The Credit Union treated this agreement as a modification event and recorded the gain of $748,895 on the excess of the fair value of the securities on December 31, 2020 over the book value of the liquidity deposits in the statement of income. Subsequent to year-end, and in accordance with the agreement, Central 1 settled the Credit Union's liquidity deposits in exchange for cash securities and high-quality liquid assets.

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, 2020, 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.

Maturity dates	Assets	Yield (%)	Liabilities and Members' Equity	Cost (%)	Gap
					(thousands of Canadian dollars)
Interest sensitive					
< 6 months	$ 540,568	1.81	$ 178,607	1.15	$ 361,961
1 year	281,978	1.91	512,670	1.86	(230,692)
2 years	332,238	3.36	296,807	1.60	35,431
3 years	218,865	3.59	168,920	2.26	49,945
4 years	227,007	3.37	44,547	1.75	182,460
5 years	227,085	2.80	20,359	0.82	206,726
Interest sensitive	$ 1,827,741		$ 1,221,910		$ 605,831
Non-interest sensitive	$ 90,643		$ 696,474		$ (605,831)
Total	$ 1,918,384		$ 1,918,384		$ -

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 $1,176,000. Based on the assumption that the Credit Union prime rate is at a floor, a decrease in interest rate of 0.50% could result in an increase to net income of $264,000.

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:

	2020			2019		
	< 12 months	> 12 months	Total	< 12 months	> 12 months	Total
						(thousands of Canadian dollars)
Financial assets						
Cash resources	$ 14,280	$ -	$ 14,280	$ 15,328	$ -	$ 15,328
Liquidity deposits	116,765	27,348	144,113	50,085	54,735	104,820
Investments	10,000	8,221	18,221	-	8,349	8,349
Member loans	472,541	1,202,503	1,675,044	499,994	1,078,861	1,578,855
Right-of-use assets	1,262	18,141	19,403	869	14,680	15,549
Other assets	18,337	9,738	28,075	4,413	5,627	10,040
	633,185	1,265,951	1,899,136	570,689	1,162,252	1,732,941
Financial Liabilities						
Term loans	$ -	$ -	$ -	$ 12,000	$ -	$ 12,000
Members' deposits	1,268,954	361,304	1,630,258	1,147,859	295,248	1,443,107
Accounts payable and accrued liabilities	9,550	-	9,550	7,699	-	7,699
Lease liabilities	1,024	18,809	19,833	881	14,881	15,762
Securitized mortgages under administration	83,654	52,845	136,499	30,663	124,544	155,207
Members' shares	-	1,314	1,314	-	1,201	1,201
	1,363,182	434,272	1,797,454	1,199,102	435,874	1,634,976

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, 2020.

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, 2020 Fair Value	
	Within 1 year	1 to 5 years	Total	Asset	Liability
				(thousands of Canadian dollars)	
Interest rate swaps:					
Receive fixed	$ 75,000	$ -	$ 75,000	$ 604	$ -
Foreign exchange	4,700	-	4,700	-	4
Index-linked options	1,649	1,691	3,340	403	403
Total	$ 81,349	$ 1,691	$ 83,040	$ 1,007	$ 407

	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

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, 2020, the Credit Union had entered into two interest rate swap contracts for a total of $75,000,000 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 of 1.84% and 1.95% with both maturing in January 2021. 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 $3,377,713 (2019 - $5,797,468) 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 $403,225 (2019 - $534,189).

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, 2020, the Credit Union had entered into such contracts on index linked term deposits for a total of $3,340,137 (2019 - $5,781,520). 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, 2020 and 2019.

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.

	2020	2019
	(thousands of Canadian dollars)	
Central 1 Credit Union Limited		
- Class A membership shares	$ 582	$ 599
- Class E membership shares	2,285	2,285
- Class F membership shares	5,323	5,419
Other Investments	31	46
Guaranteed Investment Certificates	10,000	-
	$ 18,221	$ 8,349

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 29, 2020 Central 1 approved the Class A share rebalancing based on consolidated assets. Class A shares decreased by $17,547. 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. 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 29, 2020 Central 1 approved the Class F share rebalancing based on projected mandatory liquidity balances, Class F shares decreased by $95,567. 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. After the termination of the Mandatory Liquidity Pool (as described in Note 8), the Class F shares were redeemed at par value with the Credit Union receiving the funds on January 8, 2021.

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2020 and 2019. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

The short term Guaranteed Investment Certificates have interest ranging from 0.35% to 0.40% and mature between February and May 2021.

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 $27,979,103 (2019 - $36,144,563). The Credit Union retains mortgage servicing responsibilities but does not receive an explicit servicing fee for its servicing responsibilities.

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.

	2020	2019
	(thousands of Canadian dollars)	
Carrying amount of assets:		
Members' loans	$ 130,524	$ 170,137
Other securitization assets (Note 15)	19,989	5,151
Carrying amount of associated liabilities:	(136,499)	(155,207)
Net position	$ 14,014	$ 20,075

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 Structural Risk Management Board 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 is controlled by limiting the unhedged foreign currency exposure to $500,000 in U.S. funds.

For the year ended December 31, 2020, 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, 2020 the Credit Union had not drawn on the credit facilities. 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 $17,000,000 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, 2020 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

	2020	2019
	(thousands of Canadian dollars)	
Interest receivable on liquidity deposits (Note 8)	$ 439	$ 706
Deferred income taxes (Note 18)	1,139	1,080
Other securitization assets (Note 12)	19,989	5,151
Other assets	6,508	3,103
	$ 28,075	$ 10,040

16. OTHER INCOME

	2020	2019
	(thousands of Canadian dollars)	
Foreign exchange gain	$ 319	$ 397
Gain on sale of assets	387	782
Other income	291	429
Derivative income	746	135
Rental income	296	189
Service fee revenue	8,218	7,582
CEBA Administration Fee	30	-
	$ 10,287	$ 9,514

17. OTHER EXPENSES

	2020	2019
	(thousands of Canadian dollars)	
Other supplies and postage	$ 697	$ 836
Equipment costs	949	792
Central dues & regulatory assessments	159	198
Savings and loan life insurance	101	244
Education and staff development	210	282
Professional services	338	560
Collection costs	74	92
Telephone	214	212
Miscellaneous	270	447
	$ 3,012	$ 3,663

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 2019	Recognized in Net Income	Balance as at December 31 2020
		(thousands of Canadian dollars)	
Employee future benefits	$ 1,020	$ 38	1,058
Allowance for impaired loans	405	404	809
Property and equipment	(305)	(502)	(807)
Other	(40)	119	79
	$ 1,080	$ 59	1,139

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:

	2020	2019
	(thousands of Canadian dollars)	
Income before income taxes	$ 4,970	$ 4,644
Statutory income tax rate	26.50 %	26.50 %
Expected income tax expense	1,317	1,231
Decrease in taxes resulting from:		
Reduction due to Ontario credit union tax reduction	(397)	(377)
Tax savings on dividends	(704)	(682)
Non-deductible expenses and other reconciling items	117	(273)
Income tax expense	$ 333	$ (101)

The income tax expense consists of the following:

	2020	2019
	(thousands of Canadian dollars)	
Current provision	$ 333	$ (179)
Deferred provision	(59)	78
	$ 274	$ (101)

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, 2020 were $905,096 (2019 - $929,891).

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, 2020 of $5,720,691 (2019 - $5,518,300) and the net periodic benefit cost for the year ending December 31, 2020 was determined by actuarial valuation using a discount rate of 3.40% (2019 - 3.40%).

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

	2020	2019
	(thousands of Canadian dollars)	
Accrued benefit obligation		
Balance at the beginning of the period	$ 5,518	$ 5,299
Service cost for the period	70	96
Interest cost for the period	265	215
Benefits cost for the period	(132)	(117)
Actuarial loss	-	25
Accrued liability	$ 5,721	$ 5,518
Components of net periodic benefit cost		
Service cost for the period	$ 70	$ 96
Interest cost for the period	265	215
Net periodic benefit cost	$ 335	$ 311

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 2020, 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 2020, 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 and interest (discount) 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 and interest (discount) rates would have the following effects for 2020 on the Accrued benefit obligation:

	Increase	Decrease
Interest (discount) rate	$ (885,400)	$ 1,156,200
Health care cost trend rate	$ 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)

	Land and Parking Lots	Buildings	Equipment, Furniture and Software	Leasehold Improvements	Total
Cost					
Balance at December 31, 2018	$ 3,864	$ 13,678	$ 20,356	$ 9,959	$ 47,857
Additions	-	1,210	2,011	(263)	2,958
Disposals	(342)	(2,423)	(99)	(4)	(2,868)
Balance on December 31, 2019	3,522	12,465	22,268	9,692	47,947
Additions	-	2	2,761	2,436	5,199
Disposals	(38)	(887)	(590)	-	(1,515)
Balance on December 31, 2020	$ 3,484	$ 11,580	$ 24,439	$ 12,128	$ 51,631
Accumulated Depreciation					
Balance at December 31, 2018	$ 152	$ 5,432	$ 12,849	$ 4,899	$ 23,332
Depreciation Expense	42	431	1,711	509	2,693
Disposals	(3)	(1,899)	(47)	(3)	(1,952)
Balance on December 31, 2019	191	3,964	14,513	5,405	24,073
Depreciation Expense	42	393	2,099	624	3,158
Disposals	-	(502)	(480)	-	(982)
Balance on December 31, 2020	$ 233	$ 3,855	$ 16,132	$ 6,029	$ 26,249
Net Book Value					
December 31, 2019	$ 3,331	$ 8,501	$ 7,755	$ 4,287	$ 23,874
December 31, 2020	$ 3,251	$ 7,725	$ 8,307	$ 6,099	$ 25,382

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 December 2022 and September 2036 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, 2020	$	16,623
Additions		1,873
Modification to lease terms		2,810
Disposals		-
Balance at December 31, 2020	$	21,306
Accumulated Depreciation		
Balance at January 1, 2020	$	(1,074)
Depreciation for the year		(829)
Disposals		-
Balance at December 31, 2020	$	(1,903)
Carrying amounts		
At December 31, 2020	$	19,403

Lease liabilities consist of the following:

		Branch Offices
		(thousands of Canadian dollars)
Balance at January 1, 2020	$	15,762
Additions		1,873
Interest expense		458
Effect of modification to lease terms		3,156
Variable lease payment adjustment		-
Lease payments		(1,416)
Balance at December 31, 2020	$	19,833

Additional amounts recognized in profit or loss:

		2020		2019
		(thousands of Canadian dollars)		
Depreciation of right-of-use assets	$	829	$	1,074
Interest expense on lease liability		458		403
Expenses relating to variable lease payments not included in lease liabilities (included in operating expenses)		681		593

Amounts recognized in the statement of cash flows:

		2020		2019
		(thousands of Canadian dollars)		
Total cash outflow for leases	$	1,416	$	1,264

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, 2020 (thousands of Canadian dollars)
No later than 1 year	$ 1,505
Later than 1 year and not later than 5 years	8,073
Later than 5 years	17,061
	$ 26,639

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.

	2020	2019
	(thousands of Canadian dollars)	
Compensation:		
Salaries, and other employee benefits	$ 1,631	$ 1,860

	2020	2019
	(thousands of Canadian dollars)	
Loans to key management personnel:		
Aggregate value of loans advanced	$ 485	$ 786
Interest received on loans advanced	22	24
Total value of lines of credit advanced	62	99
Interest received on lines of credit advanced	2	3
Unused value of lines of credit	13	441

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.

	2020	2019
	(thousands of Canadian dollars)	
Deposits from key management personnel:		
Aggregate value of term and savings deposits	$ 2,118	$ 2,593
Total interest paid on term and savings deposits	49	70

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 2020 calendar year:

		Total Salary Received		Monetary Value of Benefits Received
Robert Wellstood, CEO	$	448,948	$	13,915
Mark Oakes, CFO	$	264,226	$	13,915
Brad Best, VP Information Systems	$	209,994	$	13,915
Jennifer Gauthier, VP Human Resources	$	206,712	$	13,915
Crystal Dayman, VP Marketing & Corporate Communications	$	191,328	$	-

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 2 new loans advanced to restricted parties as defined by policy during the year, and there are 11 loans outstanding to such parties with an aggregate value of $1,178,512 at December 31, 2020.

iii) Other Statutory Information

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

		2020		2019
		(thousands of Canadian dollars)		
Director remuneration paid	$	187	$	189
Deposit insurance premium paid	$	1,391	$	1,175

23. STATEMENT OF CASH FLOWS

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

		2020		2019
		(thousands of Canadian dollars)		
Interest received on loans to members	$	56,155	$	57,509
Interest paid on member deposits	$	22,440	$	21,527

24. SUBSEQUENT EVENTS

On January 26, 2021, the Board of Directors of the Credit Union passed a resolution to declare a dividend of 4.00% on the Class A Investment Shares, payable to the shareholders of record at December 31, 2020.

On January 26, 2021, the Board of Directors of the Credit Union passed a resolution to declare a dividend of 3.00% on the Class B Affinity Shares, payable to the shareholders of record at December 31, 2020.

On January 26, 2021, the Board of Directors of the Credit Union passed a resolution to approve a one-year hiatus on the distribution of Class B Affinity Shares in 2021.

25. COMPARATIVE AMOUNTS

During the year, the Credit Union changed the presentation of certain fixed assets to better align with their internal financial statements. Comparative amounts of cost and accumulated depreciation were reclassified in Note 20 for consistency. There was no impact to net book value as a result of this reclassification.

During the year, the Credit Union also re-classed certain securitization assets and liabilities to more appropriately reflect the nature of these assets and liabilities. Comparative amounts on the statement of financial position were updated for consistency. As a result of this change, comparative amounts for member loans were increased by $9,141,000 and other assets were increased $2,485,000 with corresponding increases in accounts payable and accrued liabilities of $1,095,000 and securitized mortgages under administration of $10,531,000.