kawartha CREDIT UNION

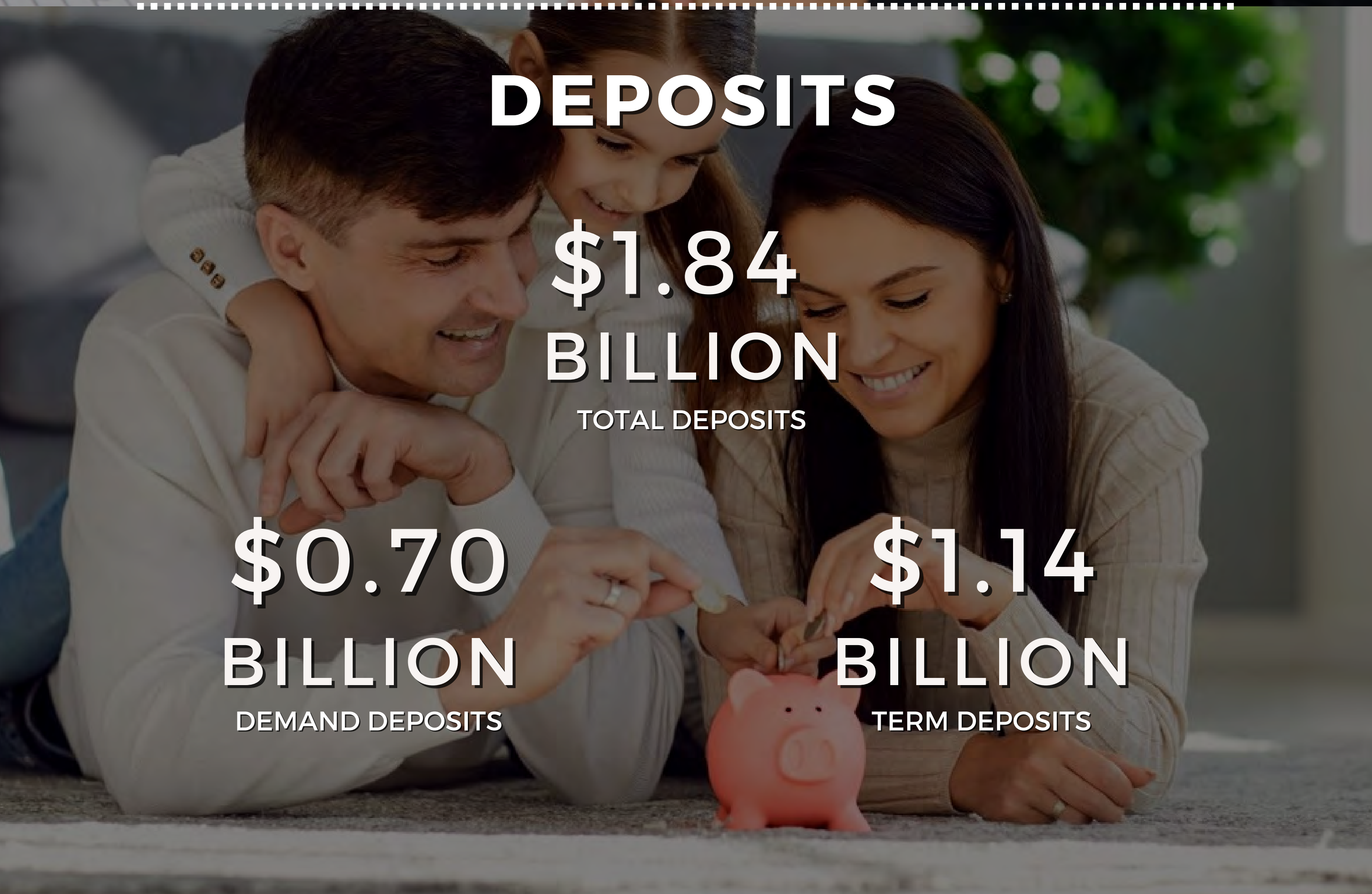
BANKING IN YOUR BEST INTEREST FOR 70 YEARS

ANNUAL REPORT 2022

ASSETS & INCOME

$2.13 BILLION
TOTAL ASSETS

$7.5 MILLION
AFTER TAX INCOME



DEPOSITS

$1.84 BILLION
TOTAL DEPOSITS

$0.70 BILLION
DEMAND DEPOSITS

$1.14 BILLION
TERM DEPOSITS

LENDING GROWTH

CONSUMER

$108.6 MILLION

BEST SINCE 2018

COMMERCIAL

$50.6 MILLION

BEST SINCE 2017

MEMBER GROWTH

57,011

ACTIVE MEMBERS

+3.8% GROWTH

REPORT TO OUR MEMBERS

In 2022, Kawartha Credit Union celebrated 70 years of providing banking services to our members. This anniversary was an opportunity to reflect on the evolution of our credit union since it was started as Cangeco in 1952 by General Electric employees.

Over the past seven decades we have grown and flourished, extended our branch network and introduced many new products, services and technologies to better meet our members' needs. We have come a long way from Cangeco's first $5.00 loan to become a 22-branch credit union with just over 57,000 members.

We have seen significant changes in the way we work and bank. Personal computers, the internet, and even ATMs have advanced members' banking needs, behaviours, and experiences, and they have had a tremendous impact on the way Kawartha provides financial products and services to our members.

The COVID-19 pandemic also necessitated a shift to online services, and we saw more members engaging with us through Live Chat, Chatbot, virtual wealth tools, and virtual meetings. To support our members in these channels, we continually look for new and innovative tools and services that will simplify the online banking experience while ensuring that strong cyber security protections are in place. While technology has changed the way we bank, Kawartha is committed to providing service excellence, whether you bank in person or online. We are proud to say that after all these years, our values and purpose continue to guide the personal, caring way we serve our members.

In 2022, we saw member satisfaction remain strong and more members trusted us with their wealth management needs. Thanks to the loyalty of our members, Kawartha continues to be a top 10 credit union in Ontario with $2.13 billion in assets. We have a proven track record of sustainable profitability and we ended the year with after tax net income of $7.5 million despite the residual challenges of the pandemic and the economic environment. We continued to invest in product, service and technological enhancements to benefit our members and employees. Our front-line teams supported our members' banking, lending and wealth management needs and created over 300 financial plans to help members work toward their goals.

With our values at the forefront of all that we do, Kawartha continues to grow with a solid strategy guiding our decisions. We do what's right, and the well-being of our members and our communities is always top of mind.

In the past year, we clearly demonstrated through our words and actions that we care about people. We donated significant funds to a number of important local causes and our employees volunteered in many initiatives that had a positive impact in the communities we serve. We were honoured to receive the Ontario Credit Union Foundation's 2022 Corporate Achievement Award and the West Parry Sound Health Centre's "Helen Bryce Committed to Community" Award – both of which recognized the support we provide to important social causes in our communities.

Doing good things in the communities we serve is important to our employees and it contributes to their feeling of engagement with our company.

This year, as we emerged from the pandemic, we welcomed our employees back to Head Office on a hybrid work arrangement. Many organizations have faced challenges in this regard, but our teams have embraced "the new normal" and are once again enjoying the in-person camaraderie and collaboration that is so integral to our unique culture.

In this Annual Report, we are delighted to share highlights from another successful year for our credit union. You will find familiar themes of resiliency, connection, growth and community that have made our credit union what it is today. Innovating and expanding the products and services we provide to our members to support their financial success remains our ongoing purpose and commitment.

FUTURE PLANS

We approach 2023 with a clear vision for success, and an even stronger commitment to serving our members and communities with integrity, care and excellence. We will continue to monitor the economic environment closely, providing informed and detailed guidance to our members at every opportunity.

Our comprehensive 3-year Strategic Plan, which was developed in 2022, will focus on enhancing the growth and development of our retail, wealth management and commercial offerings by deepening relationships with our members through expert advice and personalized solutions.

Going forward, we will continue with our digital transformation to empower younger segments, implementing technology enhancements to further improve members' banking experiences, while also laying the groundwork for upcoming innovations in payments modernization. We will focus on identifying and mitigating process or service irritants that impact our members and employees. Our strong risk management capabilities will remain a key focus in 2023 and beyond.

IN CLOSING

In September 2022, our Huntsville branch welcomed an unexpected and unusual guest: a moose who stayed just long enough for our branch staff to snap a few photos which received many “likes” across our social media channels - even breaking our Facebook record! Moose are strong, patient, and able to withstand and adapt to some of the most challenging conditions. These are traits that have also contributed to Kawartha’s enduring success: strength, patience, resiliency, and adaptability in the face of change. These qualities have served us well for 70 years, and will continue to do so for years to come.

In 2022, Kawartha maintained our financial strength, our employees are engaged, and our members continue to show their confidence in our credit union by bringing us more of their business.

We know people choose Kawartha because we are different. Our strength comes from our steadfast focus on our values, our commitment to service excellence, and showing care for each and every member by working to meet their unique needs.

As we strive to attract younger members, we encourage you to refer your friends and family to us. Together we can introduce them to the many benefits of choosing Kawartha Credit Union for all of their financial needs. We offer personalized banking in your best interest and we share our profits with you as members and owners of our credit union.

We sincerely thank our members for their loyalty and their trust in us, and we extend our gratitude to our employees for their commitment to Kawartha and our members. We look forward to growing your credit union in 2023.

Respectfully submitted,

Norah McCarthy
President & Chief Executive Officer

Nancy Herr
Chair, Board of Directors

BOARD OF DIRECTORS


Nancy Herr
Board Chair


Allison Chenier
Vice Chair


Jeff Carter
Corporate Secretary, Nominating Committee Chair


Paul Ayotte
Audit Committee Chair


Gerard Byrne
Governance Committee Chair


Carl Silvestri
Human Resources Committee Chair


Emma Elley
Director


Robert (Bob) Lake
Director


Harvey Spry
Director

DEPARTING DIRECTORS

We sincerely thank Carl Silvestri (elected in 1986), Gerard Byrne (elected in 2017) and Emma Elley (elected in 2020) for serving on our Board. We are grateful for their contributions to Kawartha and the credit union system.

A special thank you to Carl Silvestri for serving on our Board for the past 37 years. Carl has held the positions of Chair and Vice Chair while also serving on the Audit, Governance, Human Resources and Merger Committees in various capacities. Carl is known for his integrity, compassion and for doing what's right for our members and employees. Kawartha has greatly benefitted from his wisdom and experience and we appreciate his unwavering dedication.

EXECUTIVE LEADERSHIP TEAM

Norah McCarthy
President & CEO

Mark Oakes
Chief Financial Officer &
Chief Risk Officer

Peter Van Meerbergen
Executive Vice President,
Member Experience

Brad Best
Executive Vice President,
Information Systems &
Corporate Services

Jennifer Gauthier
Executive Vice President,
Human Resources

Crystal Dayman
Executive Vice President,
Marketing & Corporate
Communications

PURPOSE

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

VISION

A leading credit union, uniquely powered by heart and soul, who is passionately committed to the financial success and well-being of our members, employees and the communities we serve.

VALUES

Integrity ▪ Excellence In Member Service ▪ Fun ▪ Care For Others ▪ Independence

COMMUNITY COMMITMENT

2022 was a year of renewal - an opportunity to get out in our communities again and provide support to local causes. Our commitment to making a difference in our communities is embedded in our culture.

Throughout 2022 Kawartha donated over $200,000 to more than 80 charitable organizations and social initiatives in our communities. Our efforts to give back took on even greater importance as many events and activities were gearing back up after the pandemic. We were thrilled to participate in Peterborough's Dragon Boat Festival, the Gravenhurst Car Show, the Muskoka Ribfest and Boat & Cottage Show, and Peterborough MusicFest. Having our Mobile Solutions Centre at three of these events created a powerful opportunity to connect with our members and communities.

We thank our dedicated employees for volunteering many hours to social causes and charitable organizations, including fundraising, sorting food at local food banks, and participating in events.

As a result of the generosity of our members and employees, our Kawartha Cares program presented a cheque for $7,600 to the Canadian-Ukrainian Foundation to support the humanitarian crisis in Ukraine.

kawartha Cares

Peterborough's Dragon Boat Festival

Peterborough MusicFest

AWARDS & RECOGNITION

Our commitment to improving the quality of life in our communities was recognized with two awards in 2022.

We received the Ontario Credit Union Foundation's 2022 Corporate Achievement Award which is presented annually to a credit union (or company within the co-operative financial system) in recognition of their contributions to their communities.

Kawartha was also the recipient of the West Parry Sound Health Centre's "Helen Bryce Committed to Community" Award for demonstrating extraordinary community leadership, inspiring others to be involved with the Walk, Run, Pole event, and for our long-standing support and ongoing efforts to build community awareness for Heart Health.

DIVERSITY, EQUITY AND INCLUSION

Kawartha's commitment to diversity, equity and inclusion is demonstrated in the many educational activities we host for our employees. In 2022, we participated in several awareness initiatives, including Black Lives Matter, National Indigenous Peoples Day, the National Day For Truth & Reconciliation, Pride Month, International Women's Day, Pink Shirt Day, and many others.

On Tuesday June 21st, we celebrated National Indigenous Peoples Day on an all-staff call with Kim Lamothe, Cultural Resource Coordinator at the Nogojiwanong Friendship Centre. Kim is a Knowledge Keeper of Anishinaabe and Métis ancestry and she shared her knowledge and learnings about the heritage, diverse cultures, and outstanding achievements of First Nations, Inuit, and Métis peoples.

Kawartha observes the National Day for Truth and Reconciliation, or Orange Shirt Day, to recognize Indigenous cultures and history and the importance of honouring individuals, families and communities that were affected by residential schools. On September 30th, we closed all Kawartha locations and hosted an all-staff call where employees learned about Indigenous culture and reflected on their role in reconciliation. We welcomed Anne Kehoe who is a founding and executive member of the Keenanow Indigenous Employee Network. Anne further enhanced our learning about Indigenous peoples, their history, and the path to truth and reconciliation.

OUR BRAND

In 2022, we continued to build our brand by creating engaging advertising and developing innovative marketing strategies to increase awareness, familiarity and consideration of Kawartha's products and services. A strong brand is one of our strategic imperatives and is essential to attracting talent, increasing employee and member engagement, and establishing our strength in the financial services sector.

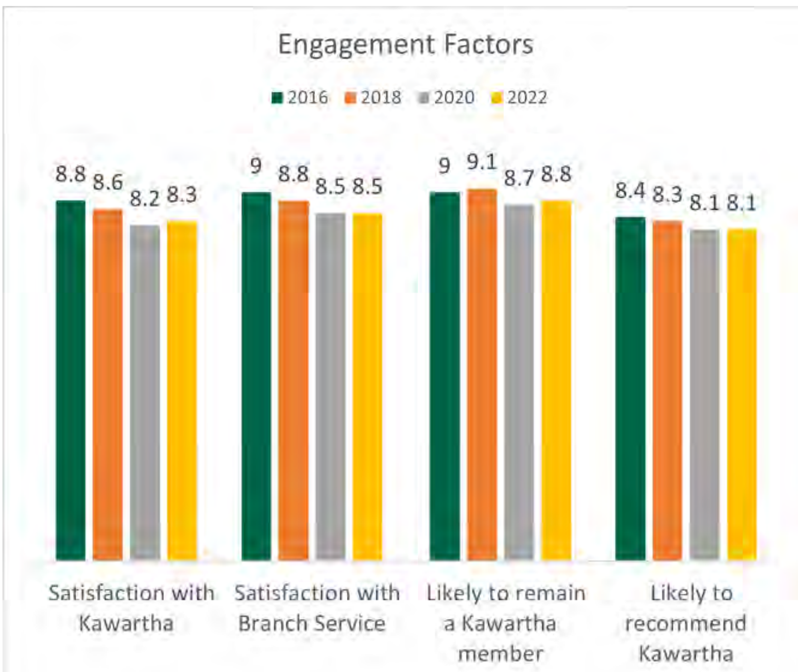
Kawartha's brand is more recognizable and is viewed more favourably than other credit unions in our trade area. Our Brand Equity Survey results indicate that we are gaining momentum in moving into the "heart/smart" space, meaning that we care for our members and communities while also providing expert advice and service. We strive to continually improve in this area as we consider it a key differentiator. We want Kawartha to be known as a caring company that provides superior service and advice.

In 2022, we began work to update our public website, our online banking site, and our mobile app, all of which will be introduced in the Spring of 2023. These updates will reflect a fresh approach to banking and will offer tools, resources and information to support our members' financial needs at all stages of life. The branding of our new website will help to attract younger members with easy-to-use services and enhanced functionality.

MEMBER ENGAGEMENT

In 2022, Kawartha conducted our Member Engagement Survey from a sample of our membership. The results of this research revealed that engagement among our membership is strong, with an impressive score of 74.9. This is one of the highest scores our research company has seen. We rebounded from a dip in our engagement score in 2020 which may be attributed to the pandemic-induced malaise that many companies experienced. Our members are feeling more engaged with us once again and our scores are improving at a good pace.

We saw solid results across a number of engagement factors including very strong satisfaction with Kawartha and our branch service, very high likelihood to remain a member, and a healthy propensity to recommend Kawartha to other potential members.



We also saw strong results across a number of engagement attitudes, such as:

- Kawartha always treats me with respect (88%)
- Kawartha is an organization I can trust (85%)
- Kawartha always treats me fairly (85%)
- Kawartha is always there to help when I need them (77%)
- I trust Kawartha to act in my best interest (76%)

In addition, 52% of respondents indicated that they feel financially better off now vs. one year ago, and 49% said that good advice is more important now than ever. We will continue to support our members with expert, needs-based advice to help them achieve their financial goals. As our purpose states: Kawartha Credit Union exists to support the financial success and well-being of our members and the communities we serve.

Kawartha also uses Member XP surveys to gain valuable feedback from our members about their interactions with us for mortgages, personal and commercial loans, new membership openings, financial planning, and dealings our Contact Centre. We also recently introduced surveys for new Commercial memberships and lending, and we look forward to including the results from these surveys in our 2023 Annual Report.

As seen below, our overall member experience scores are very high with our Net Promoter Score at 86%, Total Experience Score at 96%, Member Effort Score at 90% and Individual Performer Score at 98%. We are very pleased to see these high scores that reflect positive member experiences with Kawartha.

2022 Member Experience Survey Summary

	OUR SCORE
Net Promoter Score measures the loyalty of Kawartha's members by asking the likelihood of them recommending us to their friends and family.	86%
Total Experience Score is a composite measure that averages scores based on member interactions with our employees, member satisfaction with the way their transaction was processed, and their overall experience in dealing with us.	96%
Member Effort Score measures the actual effort it took for a member to complete a banking experience or transaction with us, versus their expectations.	90%
Individual Performer Score averages member responses to questions about the initial and follow up service they received from a Kawartha employee when transacting business with us.	98%

"BEST OF THE BEST" AWARDS

We are thrilled to be the recipient of two Member XP "Best of the Best" Awards. These awards, based on 2022 survey responses, are determined using feedback from two universal customer experience metrics: Net Promotor Score and Member Effort Score. The Best of the Best Awards are presented to the top 25% of performers in each category, in our case for Mortgage Loan Experience and Member Care Experience.

We sincerely thank our employees for delivering exceptional member experiences, and we appreciate that our members took the time to complete the surveys and for providing such positive feedback.

Feedback from our members

The associate I dealt with was very courteous and swift. Everything I asked for was done in a few minutes. Thank you!

It's been quite some time since we've experienced customer service on this level from any type of business. We are very happy we are making the move to Kawartha.

The most pleasant experience I have ever had getting a loan. No stress. I am switching my personal and business accounts to Kawartha.

MEMBER SUPPORT

RETAIL

In 2022 our Retail team focused on increasing engagement with our members and the communities we serve. We had more members visit our 22 branches and we endeavoured to provide outstanding experiences for everyone. Our members look to us for expert advice as evidenced in the 14,000 branch appointments they booked with us over the course of the year.

We continued to enhance our teams' skills and capabilities through ongoing training and development which led to many professional designations being achieved. We also introduced a full-service advisor role to holistically support members' lending and investment needs.

Post-pandemic, our members' use of alternative banking channels (such as online banking, mobile banking, and our Contact Centre) remained stable. We continue to provide elevated financial advice through our Contact Centre, including augmenting our staffing compliment to meet the needs of our existing and prospective members.

We also reviewed our various processes to create better experiences for our members. In addition, new tools were implemented which enabled us to more effectively reach out to our members to ensure that their financial needs were being met. We were also pleased to be able to assist our members in the wake of the May 2022 storm with an Emergency/Storm Relief Loan.

To gauge satisfaction with our service, surveys are sent to members who open a membership, apply for a loan or mortgage, complete a financial plan, or who reach out to our Contact Centre for service. We use our members' feedback to continually improve our products and services.

And finally, in 2022 we introduced our Member Experience Award which recognizes exceptional member service at our branches and encourages our employees to strive for excellence.

CONTACT CENTRE

Our Contact Centre is staffed by knowledgeable, experienced employees who live and work in our branch communities. They support our members' financial success by providing expert advice and service, augmented this year with the addition of a mutual fund-licensed investment specialist and a full-service advisor.

Extended Contact Centre hours enable us to deliver on our promise of supporting our members when they need us. Continuing high call volumes in 2022 tell us that members appreciate the fast and efficient service our Contact Centre Associates provide. Banking at your convenience is what our Contact Centre is all about, and we are proud of the consistently exceptional service they provide six days per week.

CONTACT CENTRE ASSISTANCE PROVIDED IN 2022

- Contact Centre associates assisted our members in over 103,00 calls
- Our Chatbot assisted almost 10,000 interactions with current and potential members
- We helped over 1,500 members through Live Chat

WEALTH MANAGEMENT

Our wealth team worked diligently to provide expert advice and personalized solutions for every stage of life, from helping members create financial plans and savings goals, to assisting with retirement and estate strategies. We offered webinars and financial literacy tools to equip our members with the information they need to make sound financial decisions. To this end, we have doubled the number of advisors who are registered to offer mutual fund solutions from 14 to 28, ensuring coverage across our branch footprint and in our Contact Centre.

We are proud that every member of our Wealth Team is Responsible Investing Certified, and eight hold Certified Financial Planner designations. Our team delivered over 300 customized financial plans for our members in 2022, and we have expanded the options for our members to manage their wealth with the addition of advice by phone, complimenting our financial planning offering.

COMMERCIAL SOLUTIONS

2022 was an outstanding year for our Commercial business and we exceeded 15% growth in loan balances. Kawartha Credit Union has effectively demonstrated that we have a strong presence in commercial banking in the markets we serve.

We have made great strides in making it easier to do business with us, whether a business is borrowing money, needing to invest, or requiring cash management solutions. We provide succession planning services for our members, which enables us to meet their needs more completely. We also continued to expand our presence across our branch territory, and we are thrilled to be once again meeting with our members in person and increasing our involvement in local initiatives.

We are eager to hear from our business members, and we solicit their feedback through surveys when a business membership is opened or a Commercial loan application is completed.

OUTSTANDING MEMBER SERVICE

For the 18th consecutive year, Canada’s credit unions received top honours for Customer Service Excellence at the 2022 Ipsos Financial Service Excellence Awards. This is a testament to credit unions' commitment to providing exemplary member service, and speaks to the vital role they play in providing financial services to Canadians from coast to coast.

Canada’s credit unions rank above all financial institutions for outstanding service, ranking number one in:

- Customer Service Excellence
- Values My Business
- Financial Planning and Advice
- Branch Service Excellence
- Live Agent Telephone Banking Excellence
- Online Banking Excellence

The IPSOS awards are important to Kawartha, as this recognition helps to increase awareness of our primary differentiator and core value: Excellence in Member Service.

We sincerely thank our employees for their dedication to member service which contributed to this accomplishment. We are proud of what these awards represent for Kawartha and the credit union system.

EMPLOYEE ENGAGEMENT

In 2022, we continued to adapt to a post-COVID world that has changed the way we work. Employee health and safety is always paramount, and our safety protocols continue to be effective for our members and staff. Our dedicated front-line employees worked in our branches throughout the pandemic and we are most appreciative of their enduring commitment to our members. In addition, our critical back-office operational teams worked at our Hunter Street office to provide consistent, continuous support to our members during the pandemic period.

In the Spring of 2022, we welcomed our Head Office employees back to our Hunter Street office, and we undertook some fun “Together Again” initiatives to ease the transition and foster collaboration, including celebrating individual and corporate successes at in-person events and on all staff calls.

The strength of our culture is evident in our Employee Engagement Score of 70%. Over the past three years, our employees adapted to countless changes with resiliency, enthusiasm, and loyalty. We supported them by introducing a “Disconnecting From Work Policy,” which acknowledges the importance of maintaining a healthy work/life balance. We also refreshed our dress code to be more inclusive, and updated our whistleblowing process to ensure that, if required, employees' voices are heard in an anonymous, safe and confidential manner.

To ensure that all employees are treated fairly and equitably, we continue to develop our diversity, equity and inclusion approaches in our corporate culture and operations. Our pay practices reflect this commitment, with roles and compensation evaluated annually and compared against the market.

We continued the implementation of a new Human Resources Information System (HRIS) which greatly improved our employee experiences and our processes overall by organizing information in an easy to use, confidential, and proactive platform.

Ongoing learning and career development is a key component of Kawartha's culture. Our Learning and Development Team expanded employee learning by creating new and refreshed programs. We continue to invest in learning opportunities to enhance each employee's personal development, and enable designations and certifications to expand their expertise. In 2022, we invested in our employees as follows:

- **2,782 courses taken**
- **1/4 of Kawartha's employees progressed to new roles**
- **345 recognition award nominations were submitted**
- **45 career milestones were celebrated**

In 2022, 20% of our staff population was comprised of new employees who brought diverse perspectives, ideas and expertise to our company. We strive to attract and retain quality talent to support our credit union's growth and evolution. Kawartha is stronger than ever due in no small part to our remarkable employees.

EMPLOYEE RECOGNITION

Kawartha recognized many career milestones with company-wide celebrations throughout the year.

CAREER CELEBRATIONS

Years of Service	Employees Celebrated
35 years	1
30 years	2
20 years	4
15 years	6
10 years	13
5 years	19

RETIREMENTS

We extend our sincere thanks, appreciation and best wishes to the following retirees for their years of service. They remain part of our Kawartha family.

Retiree	Years of Service
Ondine Brandon	32 years
Karen Murray	22 years
Cathy Plunkett	22 years
Wilma Exton	20 years
Beverly Roberts	17 years
Joanne Lauder	13 years

RECOGNITION AWARDS

Kawartha's employees acknowledge each others' contributions through our annual recognition award program. In 2022, 345 nominations were submitted for employees who demonstrated integrity, leadership, going the extra mile, and showing care for others, in addition to demonstrating our values and contributing to our business goals. We congratulate our award recipients for their hard work and many contributions to our success.

Branch Awards

Kawartha's branch awards recognize the branches with the highest growth. In 2022, our Keene Branch received the % Growth Award, and our Rockhaven Branch was the recipient of the $ Growth Award.

Glen Davies Award

Our Glen Davies Award recognizes employees who demonstrate dedication and commitment to the credit union, while upholding its purpose and values. Glen Davies was a 43-year volunteer Board and Committee member at Kawartha, known for these attributes. Our 2022 award recipient was Mike Golloher, Information Systems Supervisor.

Community Commitment Award

Established in 2008, the Community Commitment Award recognizes the branch or department who has best represented Kawartha in their community, demonstrated team spirit, shown strong support for their community above and beyond our corporate Community Involvement Program, and upheld Kawartha's purpose and values through their involvement in community initiatives. The winner of our 2022 award was our Contact Centre team.

Extra Mile Award

The Extra Mile award focuses on Kawartha's value of providing service excellence. Employees who provide quick, accurate, and friendly service lead us to success. They go beyond the normal expectations of their job, making those they serve feel the difference between mediocre and magnificent service. The recipients of this award in 2022 were:

- Brie Anne McMurray, **Support Services Specialist - Investments**
- April Denman, **Assistant Branch Manager - Parry Sound Branch**
- Lexie Oliver, **Payroll and Benefits Administrator**
- Stephanie Shortt, **Financial Services Representative - Lindsay Branch (now Banking Systems Analyst)**

Manager of the Year Award

Our Manager of the Year award recognizes leaders who inspire others to do their best, lead by example, earn trust and respect from others, and have a desire to see their employees and Kawartha succeed. Our 2022 Managers of the Year were:

- Tara Coons, **Support Services Manager - Administrative Services**
- Stanford Makuwatsine, **Branch Manager - Bayridge Branch (now Contact Center Manager)**

Congratulations to our 2022 Staff Recognition Award winners, and to all of our amazing employees who were nominated.

INFORMATION SYSTEMS

Over the past 4 years, Kawartha has replaced many of our core systems, including our banking system. This work was very timely in light of the shift to digital services required to support members during the pandemic through self- serve options such as online and mobile banking, ATMs, chatbots and our Contact Centre services.

In 2022, we further enhanced our technology capabilities, concentrating our efforts on process automation across the organization, centralization to support member service, and digitization to create positive member experiences. These enhancements save time, drive quality service delivery, and make meeting our members' needs easier and more efficient. They also improve employee work experiences and job satisfaction.

Kawartha's updated public website, online banking site, and mobile app, are scheduled to launch in 2023 and will offer simpler functionality and will enable a host of new enhancements that will benefit our members in the future.

Kawartha focuses heavily on securing all of our systems to protect members' information and data. We employ a wide variety of tactics and processes to address ongoing and ever-changing cyber threats, which includes resources from global partners who specialize in the detection of cyber security activities and their related protections.

We leverage a formal Information Technology and Cyber Security governance framework that is continuously evaluated, tested and evolved to ensure maximum protection of our members and systems.

In addition, we proactively enhance our security with industry-leading technology and ongoing internal training for our employees to ensure that they are aware and mindful of best practices. We encourage our members to take advantage of the online security resources available on our website, including setting up alerts in online banking.

OPERATIONAL EFFECTIVENESS

Improving operations means listening to member and employee feedback and making their lives easier by focusing on automation, digitization, and process refinements. This year, we made the following advancements to improve operational effectiveness:

- Launched a variety of technology infrastructure upgrades.
- Improved our processes to support strong, positive member experiences.
- Renovated our Huntsville branch to better serve our members.
- Introduced multiple dashboards to help branches and departments improve efficiencies for tasks, forms, and processes, and to identify opportunities to assist our members.
- Consolidated and simplified member statements.
- Implemented improved online banking services for our business members to meet their unique transacting needs.

GOVERNMENT RELATIONS AND ADVOCACY

Participating in government relations and credit union system advocacy work remains a priority. It also provides exciting opportunities to collaborate and affect change with our colleagues from across the province. Alongside leaders in the credit union system, in 2022 Kawartha took an active approach to government relations and advocacy, interacting with those who influence decisions that impact regulations and banking services for Ontario Credit Unions.

We continue to participate in system initiatives to ensure that we are adhering to best practices and ethical leadership at every level of our business. In 2022 we implemented a new Market Conduct Code which standardizes business conduct. In adopting it, Kawartha pledges to adhere to best practice principles for marketing, selling, and distributing our products and services and ensures that we strive to always do what’s right for our members and communities.

FINANCIAL OVERVIEW

2022 was a year of progress for Kawartha as we achieved strong loan growth, good membership growth, and we managed expenses in a difficult economic environment while continuing to invest in our employees and the business. Capital and liquidity measures remained well above both Board and regulatory requirements. We were pleased to continue to share our profits with our members.

After over thirteen years with the benchmark Canadian prime interest rate below 4.00%, the Bank of Canada increased their overnight rate in 2022 by 400 basis points to combat inflation. While the higher interest rates had an impact on our 2022 revenue growth, the credit quality of our portfolio remained strong.

Financial results and measures in this report are presented on both a reported and an adjusted basis. Adjusted results provide a better understanding of how management assesses financial performance, and they reflect the ongoing business performance. In 2022, there were no adjustments to reported earnings. In 2021, reported earnings reflected higher revenue of $1.95 million from both mortgage prepayment income and an accounting benefit, with $0.38 million of lower expenses, primarily government pandemic support, for a combined $2.33 million benefit to operating income.

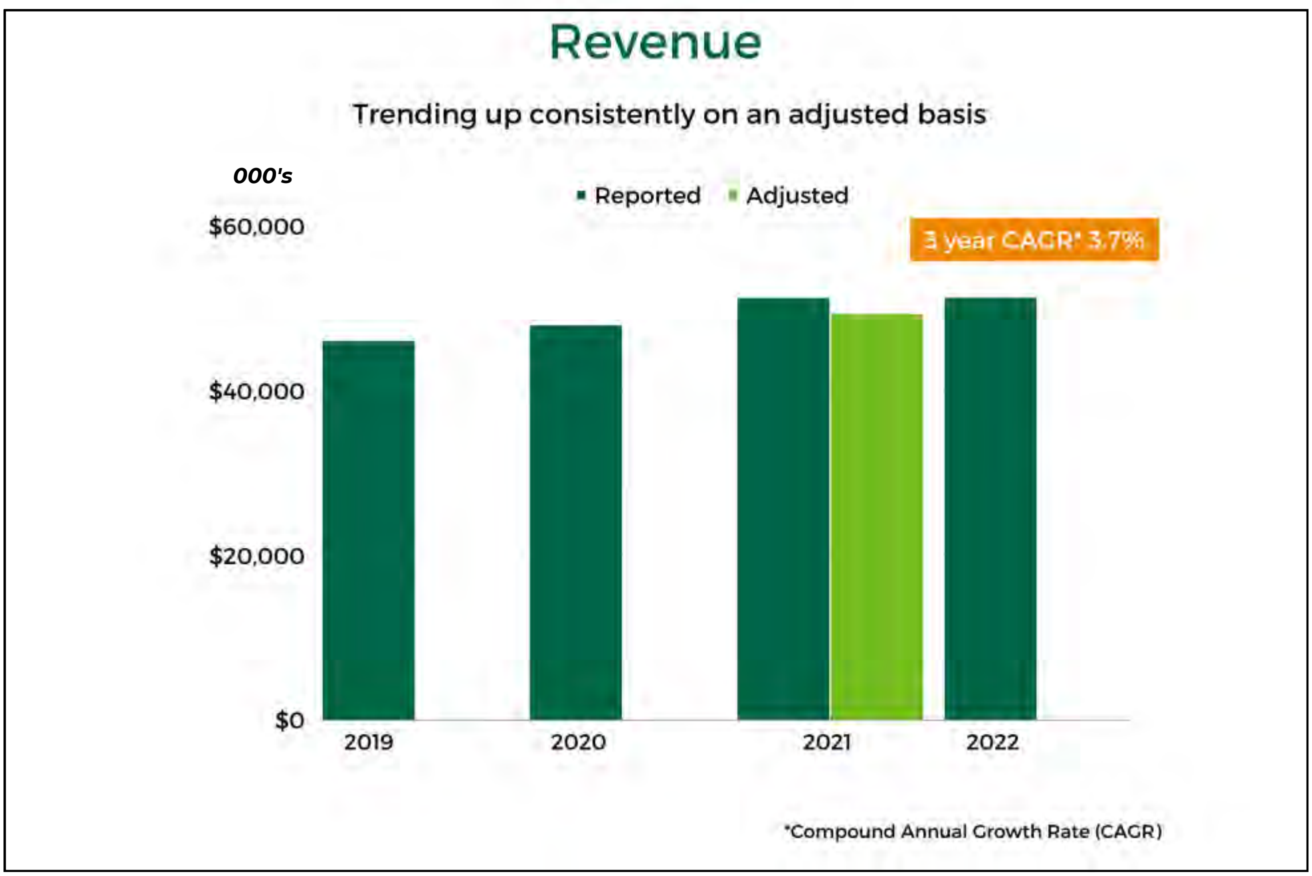
FINANCIAL PERFORMANCE SUMMARY

Revenue

Revenue of $51.3 million was stable in 2022 with higher margin year over year offset by lower other income. Interest income growth of $7.2 million was partly offset by higher interest expense of $6.0 million, both significantly impacted by the rising interest rate environment.

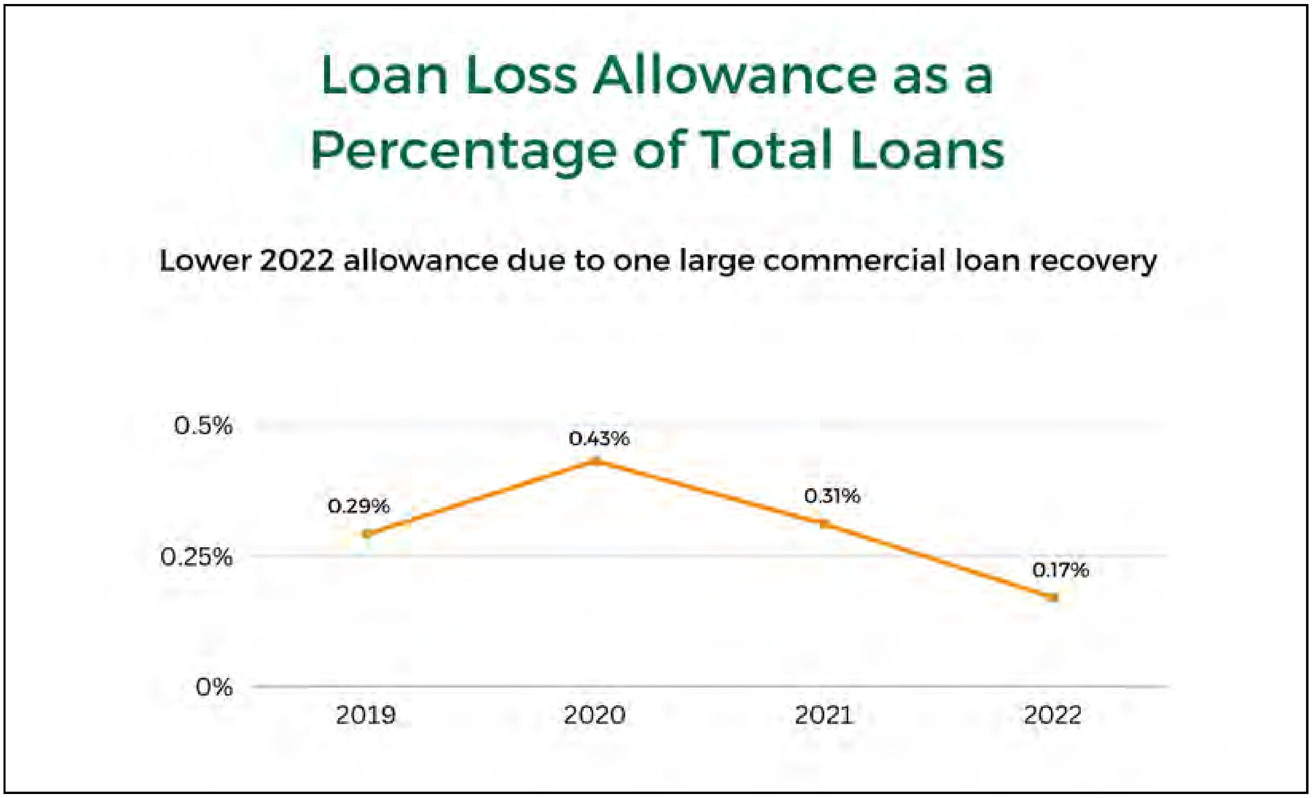
In the year, interest income benefitted from higher yields on both variable rate loans and our liquidity investments, as well as the growth in our member loan balances. Interest expense growth reflected movement in members' deposits from lower cost demand deposits to higher cost term deposits, repricing of low yield and short duration members' term deposits into a much higher rate term deposits, and the good growth we saw in members' term deposits.

Other income declined year over year by $1.2 million, primarily due to a significant lift in 2021 service fee revenue from members' early renewals into low fixed-rate residential mortgages, as well as a non-recurring 2021 accounting benefit in other income. We incurred a mark-to-market loss on interest rate swaps we have in place to mitigate against the risk of interest rate reductions. Rental income increased from a full year of leasing our excess office space.



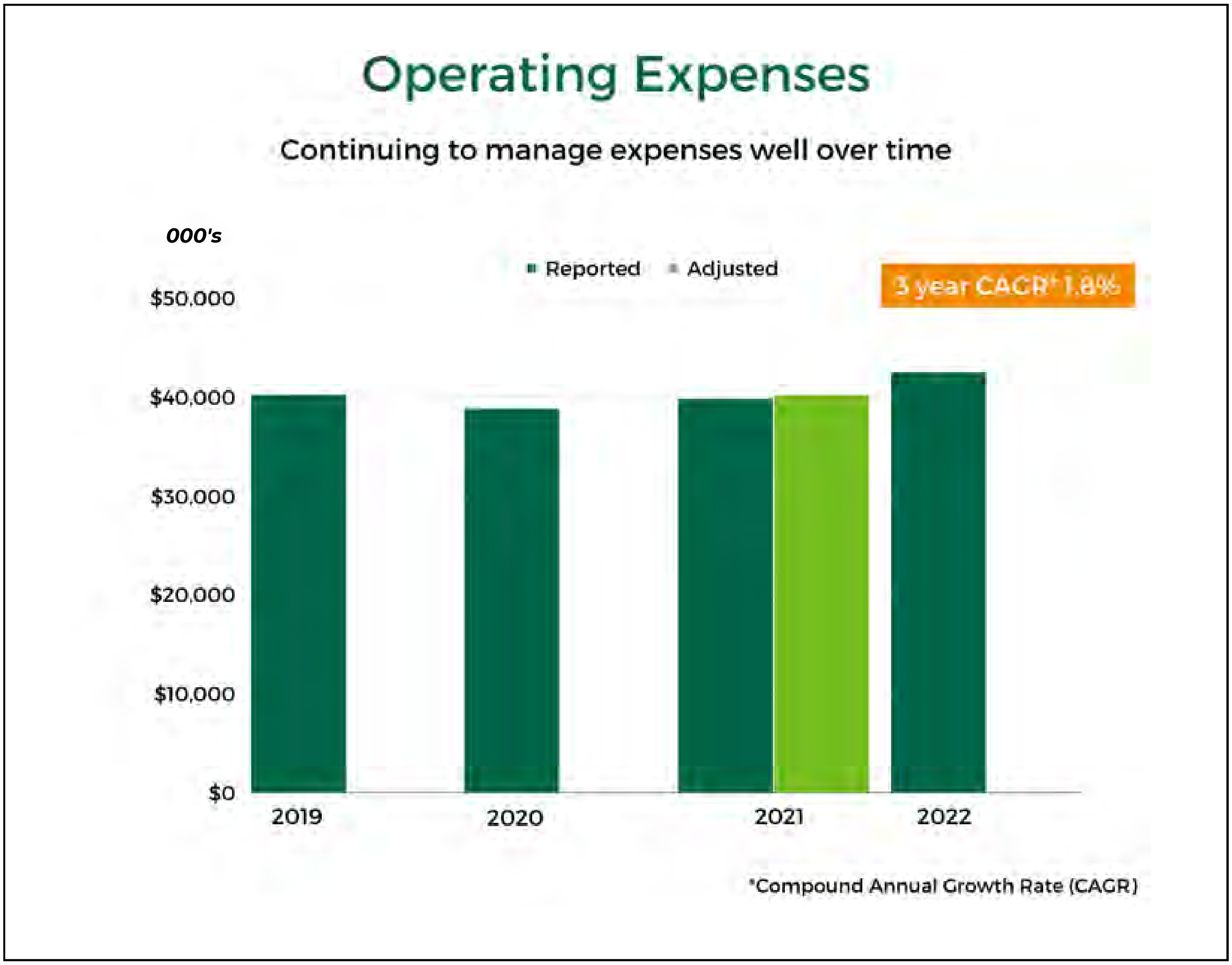
Loan Loss allowance and expense (recovery)

In 2022, we had a loan loss recovery of $831,000 primarily driven by a commercial loan recovery from a file dating back to 2018 when a court appointed receiver was put in place. There was a modest increase in our expected credit loan loss allowance for performing loans, reflecting loan growth net of the large allowance reduction for the commercial loan recovered, as well as reductions in our commercial watchlist. In 2020, we increased our commercial loan watchlist given the uncertainty of both the pandemic and what would occur after government support was reduced. As our performing commercial loans came up for their annual reviews in 2021 and 2022, we removed them from our watchlist given that our members' loans continued to be current and their businesses were returning to a more "normal" environment. The credit quality of our loan portfolio remains strong with reduced consumer delinquencies. While consumer write-offs are slightly higher than 2021, we are continuing at levels lower than any other year in the past decade.



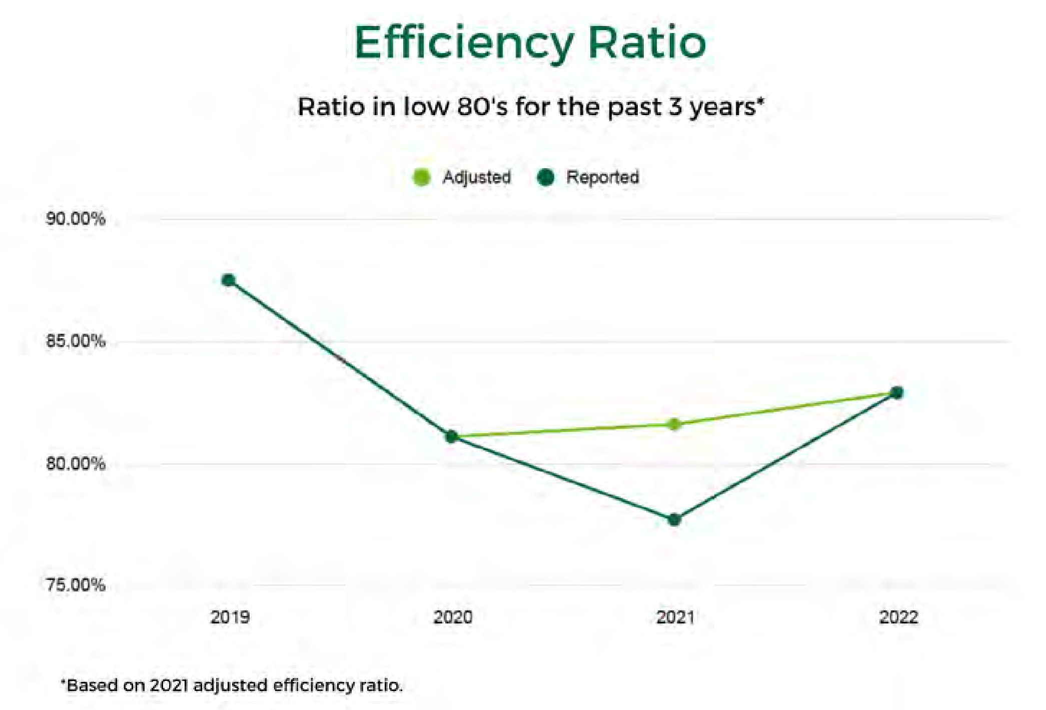
Operating Expenses

Expenses increased $2.7 million or 6.7% year over year with most of the increase in employee salaries and benefits. Through leveraging internal promotions and ensuring our compensation is competitive, we had success in retaining employees as our voluntary full-time employee turnover returned to more normal levels after an increase during the pandemic. Promotion expenses increased in 2022 to an amount similar to our pre-pandemic spend. We continue to invest in modernizing our processes to provide more time for our front-line employees to grow our membership and continue to meet their financial needs.



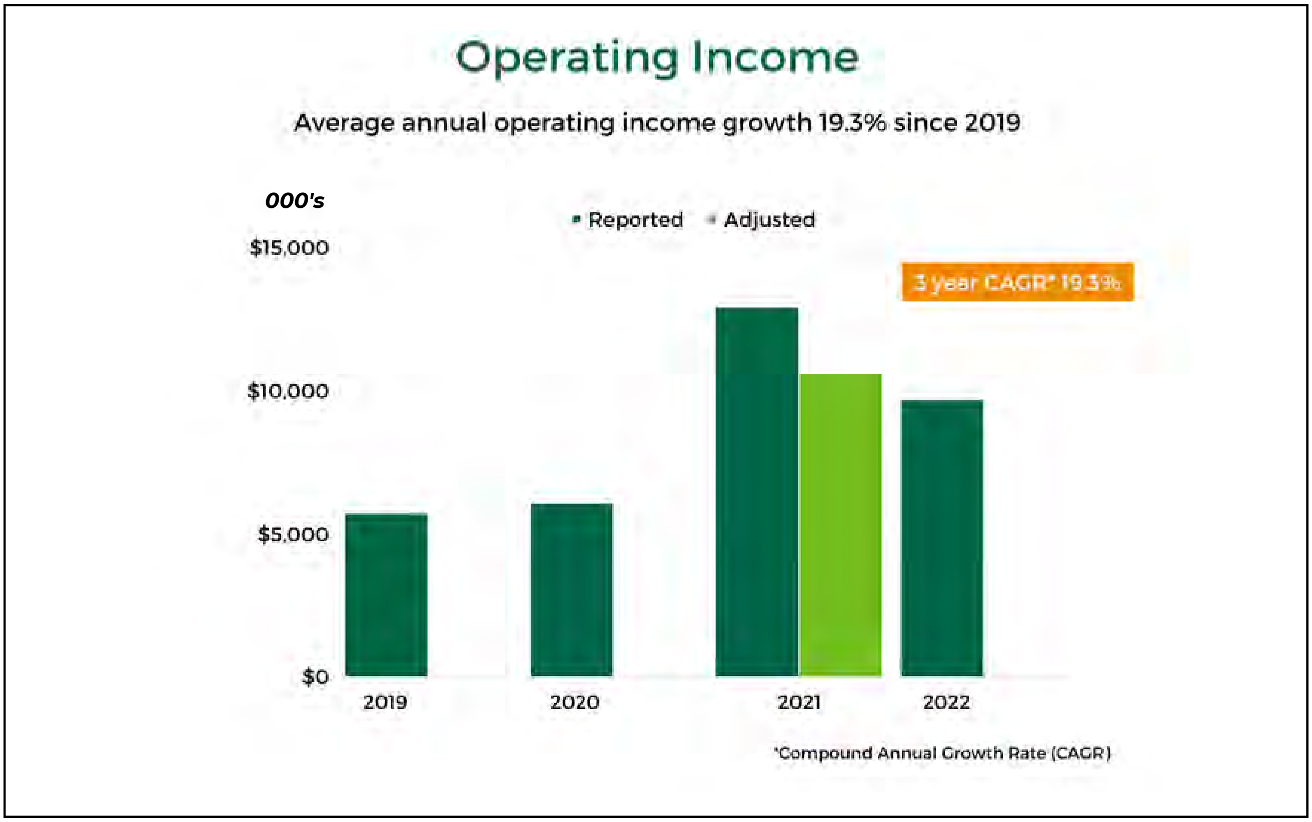
Efficiency Ratio

The efficiency ratio is a commonly used metric to measure financial performance. The calculation (expenses divided by revenues) shows how much in expenses was needed to earn $1 of revenue. In 2022, our efficiency ratio was 82.9%, slightly higher than the adjusted 81.6% in 2021, and to our 2020 reported 81.1% efficiency ratio. In the past 3 years, it has cost us 81 to 83 cents to earn $1 of revenue.



Operating Income

Operating income of $9.6 million declined from 2021, given 2021 included benefits from adjusting items and was a very strong year. Operating income reported in 2022 compared to 2021 reflects stable revenue, higher expenses, and a lower loan loss recovery. On an adjusted basis, operating income declined primarily due to a lower loan loss recovery. The trajectory of our operating income growth since 2019 is an impressive 19.3% per year, and we grew our profitability while maintaining strong capital and liquidity measures.



Sharing Our Profits

A share of our annual profits are paid back to members through dividends on Class A Investment Shares and Class B Affinity Shares as well as the granting of additional Affinity Shares. The dividend payout generally ranges between 30-40% of operating income with the yield based on similar market securities, our current and projected profitability, our capital, and our liquidity levels.

For 2022, the Board declared a dividend of 5.0% for Class A Investment Shares and 4.25% for Class B Affinity Shares, with an additional distribution of approximately 750,000 Affinity Shares.

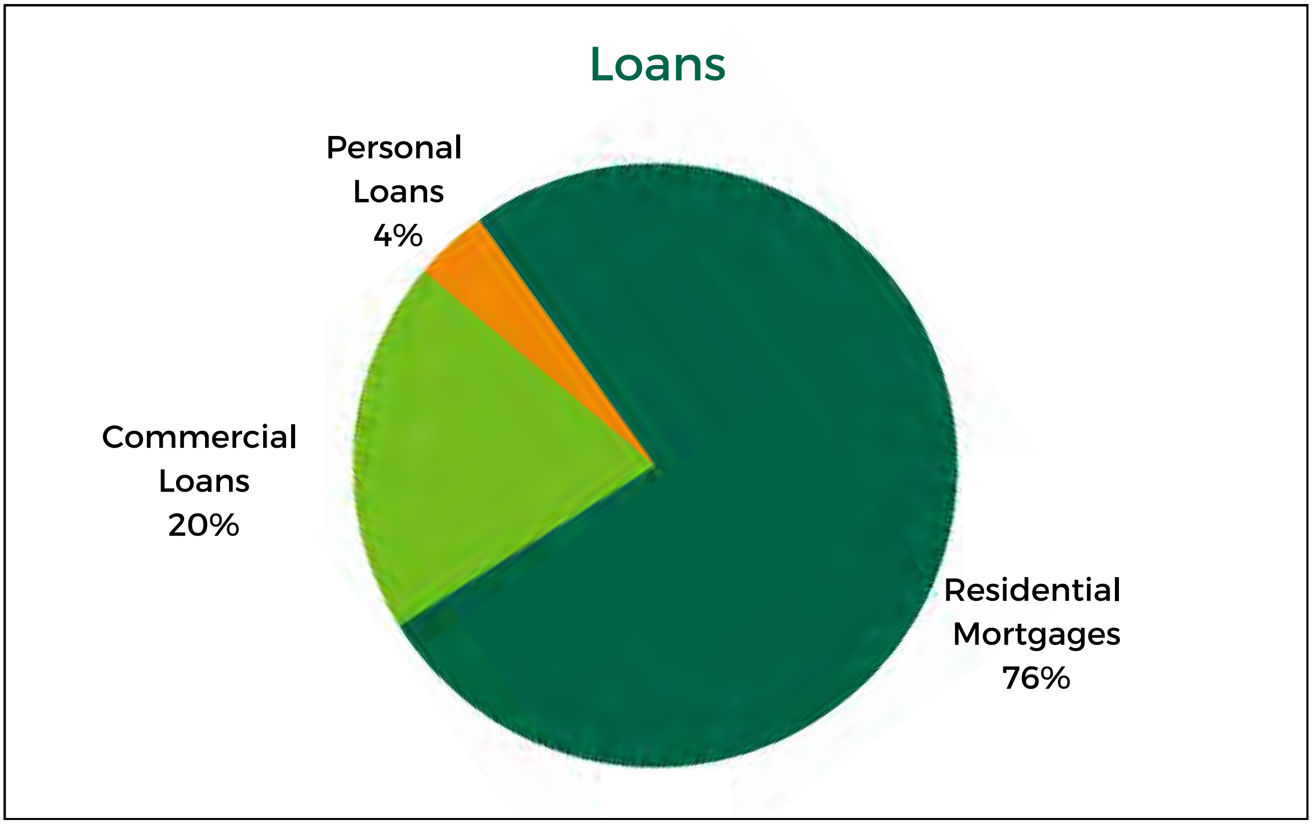
Financial Position

Total assets of $2.13 billion increased $115.5 million or 5.7% year over year as a result of good member loan growth, and strong term deposit growth net of lower demand deposits. Funding to support our loan growth came from a combination of member deposits, securitized mortgages, and a decrease in excess liquidity built up over the pandemic. By the end of the year, we also had a modest $2.0 million term loan utilizing a small portion of our credit facility. Our liquidity deposits are primarily our high-quality liquid asset (HQLA) portfolio held to meet regulatory requirements.

Member Loans

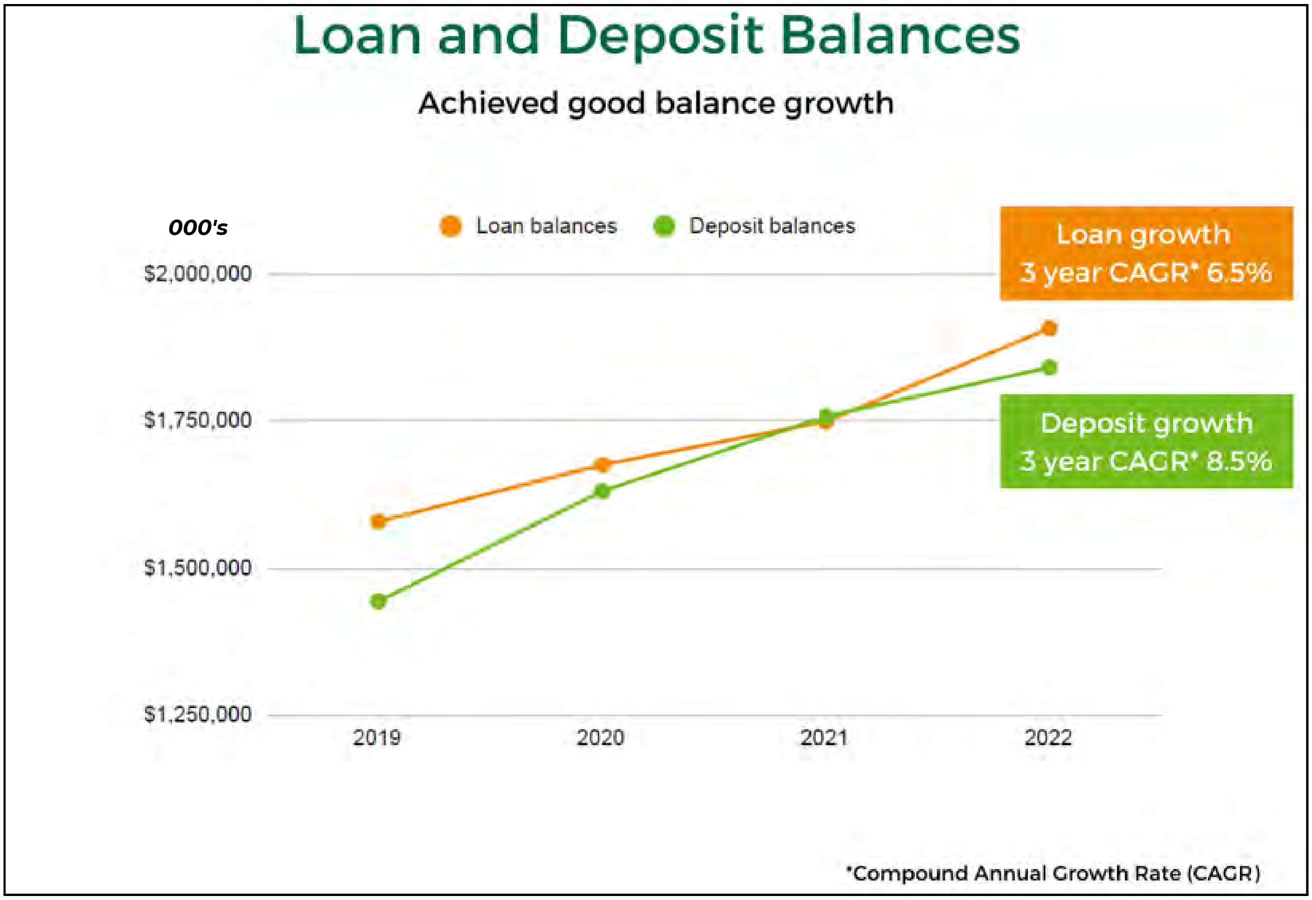
Member loans consist of consumer and commercial lending. The consumer lending book of $1.53 billion is primarily residential mortgages with a small amount of personal loans and lines of credit. In 2022, we grew consumer lending $108.6 million or 7.7% year over year - our highest growth since 2018.

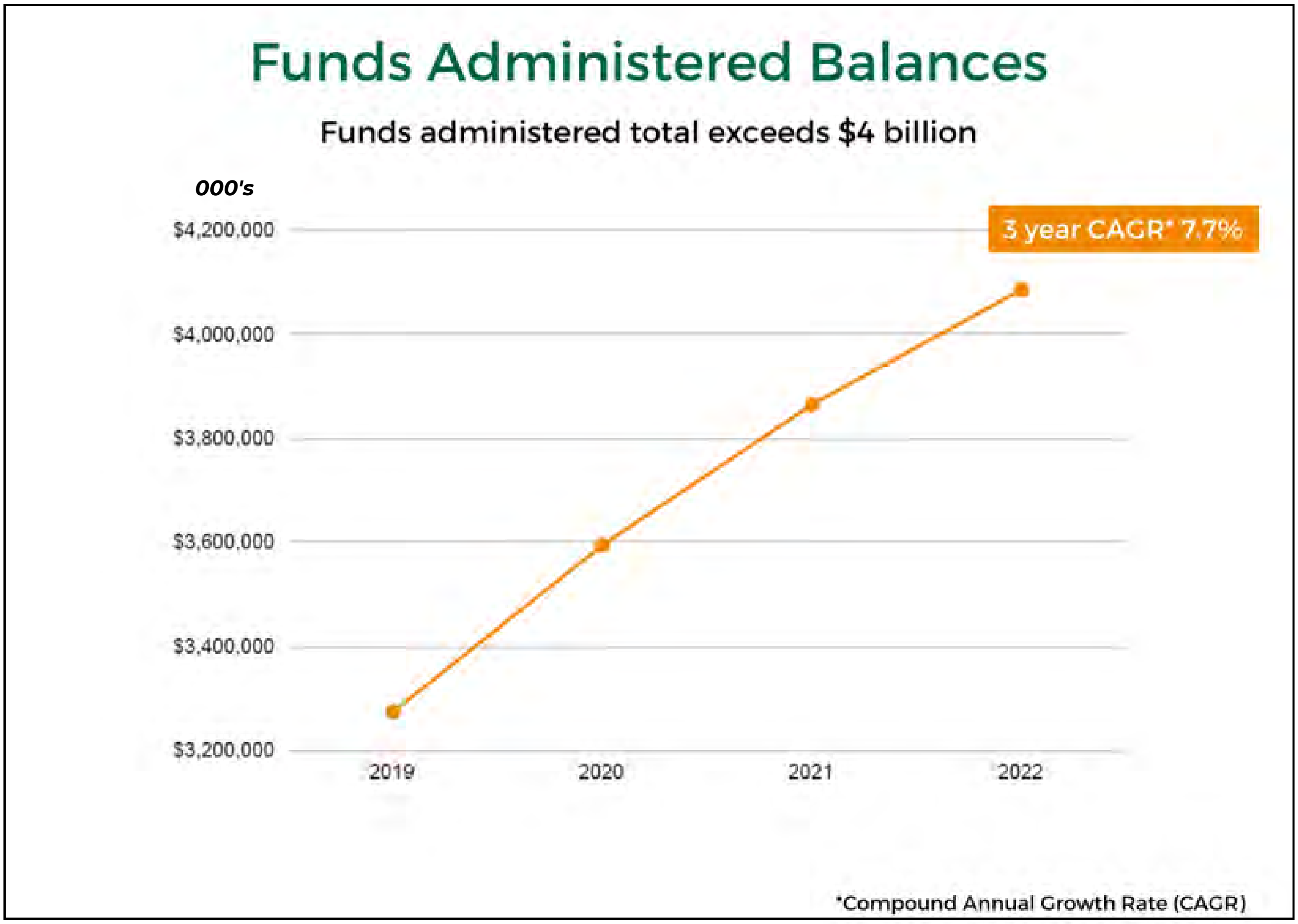
The commercial lending book of $377.1 million is predominantly real estate secured lending within a reasonable distance of our branch network. The portfolio consists of a mix of industries, with just more than half of the portfolio split between accommodation, real estate, and construction lending. In 2022, we grew commercial lending $50.6 million or 15.5% year over year - our highest growth since 2017.



Member Deposits

In 2022, we grew deposits by 4.7% with a strong uptick in term deposits and a decline in demand deposits. Demand deposit balances, after very strong growth of almost $350 million from the beginning of the 2020 pandemic to mid-year 2022, started to see a decline as members moved to higher yield term deposits and/or used excess funds for specific needs, ending the year down $29.1 million or 4.0% year over year. Term deposits increased $112.5 million or 10.9%, benefitting from higher interest rates and lower equity markets.


Loan and Deposit Balances
Achieved good balance growth
000's
Loan balances
Deposit balances
Loan growth
3 year CAGR* 6.5%
Deposit growth
3 year CAGR* 8.5%
$2,000,000
$1,750,000
$1,500,000
$1,250,000
2019
2020
2021
2022
*Compound Annual Growth Rate (CAGR)


Funds Administered Balances
Funds administered total exceeds $4 billion
000's
3 year CAGR* 7.7%
$4,200,000
$4,000,000
$3,800,000
$3,600,000
$3,400,000
$3,200,000
2019
2020
2021
2022
*Compound Annual Growth Rate (CAGR)

CAPITAL LIQUIDITY MANAGEMENT

Kawartha's capital management objective is to hold sufficient capital to ensure long-term viability, protection against unexpected losses in a stressed scenario, and exceed Board limits, which are above regulatory requirements. In 2022, new regulatory capital requirements were put in place which, combined with growth in the risk weighted assets primarily driven by higher member loans, resulted in a decrease to our capital ratios compared to 2021 under the old rules. As shown in the table below, year-end 2022 capital ratios are well above Board limits.

2021	Capital Ratios	2022	Board Limit
15.2%	Tier 1 Capital Ratio	13.7%	7.5%
15.9%	Total Capital Ratio	14.3%	11.5%
7.3%	Leverage Ratio	6.8%	4.5%

The mix of regulatory capital consists of shares (Class A Investment Shares, Class B Affinity Shares, and membership shares) as well as our retained earnings (retained earnings, contributed surplus, accumulated other comprehensive income (AOCI) and the expected credit loss stage 1 & 2 allowance for loan loss net of regulatory deductions). A larger proportion of capital in retained earnings is considered to be higher quality given it is the Credit Union's and not owed to a member as is the case with our shares. Retained earnings make up 46% of our total capital, well above our Board policy 40% minimum required.

Internal Capital Adequacy Assessment Process

Kawartha annually performs an Internal Capital Adequacy Assessment Process (ICAAP) which is approved by the Board and submitted to the regulator. The ICAAP aligns with Kawartha's strategic planning process and Enterprise Risk Management program to ensure enough capital for ongoing operations, future growth plans, and any key risks that may materialize during the course of business, along with a viable strategy to maintain capital levels above required minimum limits.

Liquidity Management

Managing liquidity risk is integral to maintaining a strong Credit Union, ensuring funds are available for members even in times of significant stress. We test our liquidity using the liquidity coverage ratio, the net stable funding ratio, and the net cumulative cashflow measures on both a regulatory basis and using assumptions for higher liquidity stress. We ensure large dollar member deposits are below a certain threshold and we also maintain a high-quality liquid asset portfolio that meets regulatory and Board requirements. Liquidity remains strong and well above both Board and regulatory minimum levels.

Kawartha maintains a borrowing facility with Central 1 Credit Union to draw upon as required to finance operations. Our core facilities provide a borrowing capacity of just over $75 million. At year end, only $2 million was drawn.

Securitization

We securitize a portion of our residential mortgages through a Canada Mortgage and Housing Corporation (CMHC) sponsored program as an alternative source of longer-term cost-effective funding. We also hold $15.9 million of our securitized CMHC insured mortgages in our HQLA liquidity portfolio. At the end of the year, our securitized mortgage payable was $111.3 million, up $33.3 million to support our lending growth. To minimize securitization risk, we monitor our securitization amounts and maturities against specific limits. Based on regulatory thresholds, our securitization program continues to be at the lowest risk level.

ENTERPRISE RISK MANAGEMENT

Kawartha employs a comprehensive and integrated enterprise risk management (ERM) program to effectively manage risks that are inherent in our business activities. Our risk management approach provides independent oversight and is integral to ensuring our strategic business objectives stay within our risk appetite.

On a quarterly basis, Management reports to the Board on the top risks facing the Credit Union, along with an estimated impact of the risk, net of mitigations put in place. The residual risks are compared to our risk tolerances to ensure we stay within a certain range. If necessary, Management action plans are put in place when risk tolerances or limits are exceeded. Risk is managed through our three lines of defense, with oversight functions supporting the front line, and our Internal Audit department providing an independent assessment to ensure our controls are effective.

In 2022, as a best practice and per our regulatory requirements, we completed a business recovery plan for the Credit Union. The recovery plan is a playbook outlining how Management would address severe but plausible stressed scenarios that would significantly impact our liquidity, capital and/or our profitability. A set of Management corrective actions to recover from the risks and restore financial strength are documented. The recovery plan supports Board oversight of risks the Credit Union may face and Management's potential actions to address these risks. The recovery plan is aligned to and supported by our ERM framework, including business continuity planning, capital planning, liquidity contingency funding plans, stress testing and asset liability management practices. We have fourteen Board policies that set limits and Management reporting requirements. The policies support legal and regulatory compliance as well as helping to ensure appropriate Board governance and oversight on potential Credit Union risks. During 2022, Management was in compliance with all Board limits as well as legal and regulatory requirements.

RISKS THAT MAY AFFECT FUTURE RESULTS

The Credit Union identifies material risks that may affect our business operations and future financial results as described below. Management discusses these risks on a regular basis, assessing the risk impacts, how quickly the risk may present itself, our risk tolerance, and mitigations.

Economic Conditions

Our financial earnings are affected by the economic conditions in the geography within Ontario where we do business. Inflation, unemployment, interest rates, and housing prices are some key economic indicators that may impact our business growth and may affect our financial results. Management is attentive to the economic environment in which we operate and adapts to significant changes in order to maintain our financial strength.

Cyber Security

Our exposure to banking cyber security risks through members, employees or third-party suppliers remains a top risk for Kawartha and other financial institutions. Our cyber security program continues to evolve and extend proactive defense systems to mitigate against threats.

Third-Party Suppliers

Kawartha is reliant on a number of third-party suppliers, which may lead to potential business disruption exposure and cyber security threats. The Credit Union has identified key third-party suppliers and, where applicable, we monitor vendor service level agreements to minimize the business disruption impact.

Employee Attraction and Retention

Competition for talent can make recruitment and retention a challenge. Given the number of Kawartha employees, key person risk is also an inherent business challenge. To mitigate the risks, significant time and resources are dedicated to ensuring that our employee engagement levels remain high.

Membership Demographics

A disproportionate share of our business is with members skewing to an older demographic, which may lead to business retention and business growth challenges. Growing our membership with a younger demographic is a strategic priority.

2023 ECONOMIC OUTLOOK

Ontario's economy is expected to have very low single digit real gross domestic product (GDP) growth in 2023 in an economic environment with stable interest rates, low unemployment, and inflation declining from the high 2022 levels. Housing market activity is expected to continue trending at low levels, impacting the residential mortgage growth. Consumer lending (excluding mortgages) has been restrained by higher borrowing costs after the significant 2022 increase in interest rates and is expected to grow modestly. Business growth is anticipated to be impacted as well by the higher borrowing costs and slowing economy.

REPORT FROM THE GOVERNANCE COMMITTEE

The Governance Committee is comprised of four Board 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:

- Corporate governance
- Board and committee composition
- Director education, knowledge, skills, and abilities

The Governance Committee met five times in 2022. Key activities included:

- Provided oversight for the Board, Committee, and Director self-assessment process. Analyzed results and recommended direction to the Nominating Committee on skill gaps to be filled in 2023.
- Provided oversight for the Director Peer Assessment process and reviewed results with the Chair and Directors as needed.
- Monitored legislation and regulatory developments impacting Kawartha's operating procedures, policies, or By-laws.
- Monitored Directors' compliance with the mandatory education program and ensured Directors received annual training on residential mortgage securitization, anti-money laundering, privacy legislation and information security/cyber security.
- Reviewed and made a recommendation to the Board regarding Director remuneration.
- Completed the annual review of the Corporate Governance Policy and Market Conduct Code Policy and recommended updates to the Board.
- Completed the review and recommended changes to the By-laws of the Credit Union to the Board, which were approved. The changes modernized the Credit Union By-laws and ensured alignment to the new *Credit Unions and Caisses Populaires Act, 2020 (Ontario)* and to the new Rules of our regulator, the Financial Services Regulatory Authority of Ontario.

Respectfully submitted,

Gerard Byrne, Committee Chair
Committee Members: **Paul Ayotte, Jeff Carter, Carl Silvestri**

REPORT FROM THE AUDIT COMMITTEE

The Audit Committee's primary function is to assist the Board of Directors in fulfilling 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 in fulfilling 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, 2020* and the associated regulations.

The Audit Committee met six times during the 2022 fiscal year to complete its responsibilities including:

- Reviewed the financial statements and results of the year end audit with the external auditor and recommended for Board approval the audited 2021 financial statements and notes, along with other year end reporting requirements.
- Reviewed Management's response to the audit findings and oversaw resulting actions, if any, and recommended both to the Board.
- Reviewed the performance of the external auditor.
- Reviewed the external auditor engagement letters for the 2022 year-end audit.
- Reviewed the internal audit charter and annual internal audit plan and recommended both to the Board for approval.

REPORT FROM THE AUDIT COMMITTEE continued

- Met with the Vice President, Internal Audit (without Management present), to review the performance of internal audit activities and the resulting reports and oversaw management actions to implement recommendations.
- Ensured that regulatory filings were submitted on time.
- Reviewed results of regulatory and other third-party examinations and oversaw resulting actions.
- Reviewed the Credit Union's applicable policies, procedures, and controls for legislative compliance.
- Recommended the Credit Union's risk appetite and risk tolerance limits to the Board.
- Monitored the adherence of Directors, Officers, and Employees with the Credit Union's policies and code of conduct.
- Reviewed outstanding legal issues.
- Completed a self-assessment on the effectiveness of the Committee and reviewed the 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,

Paul Ayotte, Committee Chair
Committee Members: **Gerard Byrne, Allison Chenier, Bob Lake**

KAWARTHA CREDIT UNION LIMITED

Financial Statements

At December 31, 2022

Tel: 705-742-4271
Fax: 705-742-3420
www.bdo.ca

BDO Canada LLP
201 George St N, Suite 202
PO Box 1018
Peterborough, ON K9J 7A5

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, 2022, 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, 2022, 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 24, 2023

KAWARTHA CREDIT UNION LIMITED

Statement of Financial Position

December 31		**2022**		**2021**
				(thousands of Canadian dollars)
				(Restated - Note 24)
Assets				
Cash resources (Note 8)	**$**	**6,176**	$	20,061
Liquidity deposits (Note 8)		**153,356**		174,104
Investments (Note 11)		**18,057**		28,070
Derivative financial instruments (Note 10)		**462**		722
Members' loans (Note 4)		**1,903,822**		1,743,237
Other assets (Note 15)		**12,003**		9,110
Property and equipment (Note 20)		**21,345**		23,217
Right-of-use assets (Note 21)		**16,920**		18,141
	$	**2,132,141**	$	2,016,662
Liabilities and Members' Equity				
Liabilities				
Term Loans (Note 14)	**$**	**2,000**	$	-
Members' deposits (Note 5)		**1,840,872**		1,757,542
Accounts payable and accrued liabilities		**7,931**		10,434
Derivative financial instruments (Note 10)		**498**		788
Securitized mortgages under administration (Note 12)		**111,348**		78,090
Members' shares (Note 6)		**1,324**		1,254
Employee future benefits (Note 19)		**5,515**		5,895
Lease liabilities (Note 21)		**17,771**		18,809
		1,987,259		1,872,812
Members' Equity				
Class A Investment shares (Note 6)		**61,727**		61,727
Class B Affinity shares (Note 6)		**16,061**		16,499
Contributed surplus		**656**		615
Retained earnings		**68,346**		64,607
Accumulated other comprehensive income (loss)		**(1,908)**		402
		144,882		143,850
	$	**2,132,141**	$	2,016,662

Approved by the Board:

Nancy Hess Director

D Paul Ayotte Director

KAWARTHA CREDIT UNION LIMITED

Statement of Income

For the year ended December 31	2022	2021
	(thousands of Canadian dollars)	
		(Restated – Note 24)
Financial Revenue		
Interest on members' loans	**$ 61,016**	$ 55,645
Investment income	**2,772**	912
	63,788	56,557
Financial Expense		
Interest on members' deposits	**22,421**	16,621
Interest on borrowings	**359**	164
	22,780	16,785
Financial Margin	**41,008**	39,772
Other Income (Note 16)	**10,245**	11,437
	51,253	51,209
Operating Expenses		
Salaries and employee benefits	**25,307**	23,278
Loan loss expense (recovery)	**(831)**	(1,486)
Occupancy (Note 21)	**5,034**	4,822
Banking costs	**938**	900
Other expenses (Note 17)	**3,167**	3,167
Information system costs	**5,352**	5,241
Deposit insurance	**1,565**	1,494
Promotion	**907**	723
Directors' expenses	**194**	186
	41,633	38,325
Operating Income	**9,620**	12,884
Patronage distributions (Note 6)	**(720)**	(1,100)
Income before income taxes	**8,900**	11,784
Income tax expense (Note 18)	**1,384**	1,125
Net Income	**$ 7,516**	$ 10,659

KAWARTHA CREDIT UNION LIMITED

Statement of Comprehensive Income

For the year ended December 31		2022		2021
				(thousands of Canadian dollars)
				(Restated - Note 24)
Net Income (Page 5)	**$**	**7,516**	$	10,659
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Fair value gain (loss) on high quality liquidity assets (Note 8)		**(3,123)**		149
Fair value gain realized on Swaps		**(122)**		-
Related income tax recovery		**541**		-
Items that are not recycled or reclassified to net income:				
Actuarial gain on remeasurement of defined benefit non-pension plans (Note 19)		**482**		-
Related income tax expense		**(88)**		-
Comprehensive Income	**$**	**5,206**	$	10,808

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 at December 31, 2020	**$ 253**	**$ 40,340**	**$ 15,529**	**$ 58,680**	**$ 114,802**
Net income (restated – Note 24)	-	-	-	10,659	10,659
Dividends (Note 6)	-	-	-	(4,151)	(4,151)
Class A Investment shares Net share issuance	-	21,387	-	-	21,387
Class B Affinity shares					
Net share issuance	-	-	1,004	-	1,004
Forfeitures	-	-	(34)	34	-
Fair value gain on liquidity deposits (restated - Note 24)	149	-	-	-	149
Balance at December 31, 2021	**402**	**61,727**	**16,499**	**65,222**	**143,850**
Net income	-	-	-	7,516	7,516
Dividends (Note 6)	-	-	-	(3,777)	(3,777)
Class B Affinity shares					
Net share redemptions	-	-	(397)	-	(397)
Forfeitures	-	-	(41)	41	-
Fair value loss on liquidity deposits net of tax	(2,582)	-	-	-	(2,582)
Actuarial gain on remeasurement of defined benefit non pension plans net of tax (Note 19)	394	-	-	-	394
Fair value gain realized on Swaps	(122)	-	-	-	(122)
Balance at December 31, 2022	**$ (1,908)**	**$ 61,727**	**$ 16,061**	**$ 69,002**	**$ 144,882**

KAWARTHA CREDIT UNION LIMITED

Statement of Cash Flows

For the year ended December 31		**2022**		**2021**
			(housands of Canadian dollars)	
			(Restated – Note 24)	
Operating activities				
Net income	**$**	**7,516**	$	10,659
Adjustments for non-cash items:				
Depreciation on property and equipment		**3,047**		3,153
Depreciation on right-of-use assets		**1,262**		1,262
(Gains) losses on investments		**(26)**		459
		11,799		15,533
Changes in operating assets and liabilities:				
Decrease (increase) in other assets		**(2,440)**		18,965
Decrease (increase) in derivative financial instruments (net)		**(30)**		666
Increase (decrease) in accounts payable and accrued liabilities		**(2,503)**		884
Increase in employee future benefits		**102**		174
Increase in members' deposits		**83,330**		127,284
Increase in members' loans		**(160,585)**		(75,334)
Total cash inflows (outflows) from operating activities		**(70,327)**		88,172
Financing Activities				
Decrease (increase) in liquidity deposits		**17,626**		(29,361)
Proceeds from term loans		**2,000**		-
Net proceeds (payment) of mortgage securitizations		**33,258**		(58,409)
Class A Investment shares net issued		**-**		21,387
Class B Affinity shares net issued (redeemed)		**(397)**		1,004
Increase (decrease) in membership shares		**70**		(60)
Dividends paid to members		**(3,777)**		(4,151)
Repayment of lease liabilities		**(1,079)**		(1,024)
Gain realized on Swaps		**(122)**		-
Total cash inflows (outflows) from financing activities		**47,579**		(70,614)
Investing Activities				
Purchases of property and equipment (net of disposals)		**(1,175)**		(988)
Decrease (increase) in investments (net)		**10,038**		(10,789)
Total cash inflows (outflows) from investing activities		**8,863**		(11,777)
Net increase (decrease) in cash resources		**(13,885)**		5,781
Cash resources, beginning of year		**20,061**		14,280
Cash resources, end of year	**$**	**6,176**	$	20,061

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, 2020 ("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 21, 2023.

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 (“FVOCI”) or fair value through profit and loss (“FVTPL”).

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, whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding, and how the business model’s objective is achieved (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, 8, 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 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.

iv) Reclassification of High Quality Liquid Assets (HQLA)

The Credit Union reclassified its High Quality Liquid Assets (HQLA) (Note 8) to measure these liquidity deposits as FVOCI. Previously these liquidity deposits were measured as FVTPL. Management believes this change is necessary on the basis that the business model's objective is achieved both by collecting contractual cash flows and by selling investment assets. The change has resulted in a restatement of the comparative figures, which decreased net income and increased other comprehensive income by $148,993 for the year ended December 31, 2021.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2022 did not materially affect the Credit Union's financial statements.

4. MEMBERS' LOANS

	2022	2021
	(thousands of Canadian dollars)	
Residential mortgages	**$ 1,448,480**	$ 1,340,350
Personal loans	**79,013**	78,576
Commercial loans	**377,053**	326,420
	1,904,546	1,745,346
Accrued interest receivable	**2,594**	3,352
Allowance for impaired loans	**(3,318)**	(5,461)
Net members' loans	**$ 1,903,822**	$ 1,743,237

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 5.01% to prime plus 18.05%. The rate is determined by the type of security offered and the members' credit worthiness. At December 31, 2022 the Credit Union's residential mortgage prime rate was 6.45% and the prime rate was 6.95% for all other lending.

The interest rate offered on fixed rate loans advanced at December 31, 2022 ranges from 1.58% 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.

4. MEMBERS' LOANS (continued)

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.

The Credit Union, on an exception basis, offers members loan deferrals to help ensure repayment of loans.

Average Yields to Maturity

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

	2022		2021	
	Principal	**Yield (%)**	Principal	Yield (%)
			(thousands of Canadian dollars)	
Variable rate	**$ 271,890**	**8.30**	$ 205,150	4.78
Fixed rate due less than one year	**115,952**	**4.00**	147,034	3.53
Fixed rate due between one and five years	**1,516,704**	**3.19**	1,393,162	2.99
	$ 1,904,546		$ 1,745,346	

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.

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.

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. The Credit Union contracts with Concentra Bank to assist with administration of CEBA accounts and pays one half of the fee it earns from the Government of Canada to Concentra.

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.

The Credit Union administered the Business Credit Availability Program (BCAP) on behalf of the Government of Canada and its agencies. The Credit Union holds 20% of the loan balances and as of December 31, 2022 there were no loans funded (2021 – one) and under this program the Credit Union’s share of the loan balance is $- (2021 - $49,319).

The Credit Union agreed to fund the Highly Affected Sectors Credit Availability Program (HASCAP) on behalf of and fully guaranteed by the Government of Canada and its agencies. As of December 31, 2022 there were four loans funded (2021- three) under this program with $1,972,370 loan balance outstanding (2021 - $994,385).

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.

vi) 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 businesses engaged in or associated with illegal activities and businesses involved in the production of marijuana; and
- Maintaining the Credit Union's watch list for applicable loans following significant increase in credit risk with appropriate follow-up and risk mitigation techniques.

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

A sizeable portfolio of the loan book is secured by residential property. Therefore, the Credit Union is exposed to the risk of a reduction of the loan to value ratio (LTV) cover should the property market decline. The risk of losses from loans undertaken is primarily reduced by adhering to other lending criteria including a borrower's ability to pay. There have been no significant changes from the previous year in the policies, procedures and methods used to measure the risk. Consistent with the prior year the Credit Union continues to use a third party tool to assist in the measurement and quantification of the 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 (SICR) 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 or • 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 the watch list due to a number of factors, including deteriorating financial results, potential security shortfalls or adverse developments of the borrower. Commercial loans where the Credit Union has, for one reason or another, initiated the exiting process but not considered to be impaired, are kept on the 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)

Stage	1 – No Significant Increase in Credit Risk Since Initial Recognition	2 – Significant Increase in Credit Risk Since Initial Recognition	3 – Credit-Impaired
ECL methodology	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the next 12 months (12-month expected credit loss).	Impairment is estimated based on the expected losses over the expected life of member loans arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss).	
Collective or individual assessment	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.		Each credit-impaired member loan is individually assessed.
Application of ECL methodology	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).		The probability of default on credit-impaired member loans is 100%, therefore the key estimation relates to the amount of the default. Expected credit loss on a credit-impaired member loan is measured based on the Credit Union's best estimate of the difference between the loan's carrying value and the present value of expected cash flows discounted at the loan's original effective interest rate.
Key forward-looking information	Unemployment rates, 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.		

4. MEMBERS' LOANS (continued)

Credit Quality Analysis

The following table sets out our credit risk exposure for loans as at December 31, 2022. 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.

				2022	2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
				(thousands of Canadian dollars)	
Residential Mortgages					
Current	**$ 1,438,773**	**$ -**	**$ -**	**$ 1,438,773**	$ 1,327,234
> 30 Days past due	**1,230**	**3,069**	**-**	**4,299**	8,690
Credit impaired	**-**	**-**	**7,017**	**7,017**	5,656
	$ 1,440,003	**$ 3,069**	**$ 7,017**	**$ 1,450,089**	$ 1,341,580
Allowance for loan losses	**(717)**	**(19)**	**(21)**	**(757)**	(564)
Carrying amount	**1,439,286**	**3,050**	**6,996**	**1,449,332**	1,341,016
Personal Loans					
Current	**$ 77,270**	**$ -**	**$ -**	**$ 77,270**	$ 76.672
> 30 Days past due	**-**	**779**	**-**	**779**	795
Credit impaired	**-**	**-**	**1,031**	**1,031**	1,189
	$ 77,270	**$ 779**	**$ 1,031**	**$ 79,080**	$ 78,656
Allowance for loan losses	**(650)**	**(23)**	**(808)**	**(1,481)**	(1,591)
Carrying amount	**76,620**	**756**	**223**	**77,599**	77,065
Commercial Loans					
Current	**$ 353,516**	**$ -**	**$ -**	**$ 353,516**	$ 251,941
> 30 Days past due	**60**	**-**	**-**	**60**	71
Watch list loans	**-**	**24,385**	**-**	**24,385**	68,711
Credit impaired	**-**	**-**	**10**	**10**	7,739
	$ 353,576	**$ 24,385**	**$ 10**	**$ 377,971**	$ 328,462
Allowance for loan losses	**(627)**	**(443)**	**(10)**	**(1,080)**	(3,306)
Carrying amount	**352,949**	**23,942**	**-**	**376,891**	325,156
Balance at December 31	**$ 1,868,855**	**$ 27,748**	**$ 7,219**	**$ 1,903,822**	$ 1,743,237

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:

	2022				2021
	Residential Mortgages	**Personal Loans**	**Commercial**	**Total**	Total
				(thousands of Canadian dollars)	
Unadvanced loans	**$ 5,035**	**$ -**	**$ 83,243**	**$ 88,278**	$ 61,769
Unused Lines of Credit	**-**	**198,439**	**36,771**	**235,210**	216,031
	$ 5,035	**$ 198,439**	**$ 120,014**	**$ 323,488**	$ 277,800

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.

	2022				2021
Residential Mortgage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
				(thousands of Canadian dollars)	
Balance at January 1	**$ 528**	**$ 16**	**$ 20**	**$ 564**	$ 795
Transfer to Stage 1	**9**	**(8)**	**(1)**	**-**	-
Transfer to Stage 2	**(2)**	**2**	**-**	**-**	-
Transfer to Stage 3	**(1)**	**(2)**	**3**	**-**	-
Net remeasurement of allowances for loan losses	**(37)**	**9**	**(2)**	**(30)**	(446)
New members loans originated	**220**	**2**	**1**	**223**	214
Loans written off	**-**	**-**	**-**	**-**	-
Recoveries of amounts previously written off	**-**	**-**	**-**	**-**	1
Balance at December 31	**$ 717**	**$ 19**	**$ 21**	**$ 757**	$ 564

4. MEMBERS' LOANS (continued)

Personal Loans	**Stage 1**	**Stage 2**	**Stage 3**	**2022 Total**	2021 Total
				(thousands of Canadian dollars)	
Balance at January 1	**$ 635**	**$ 22**	**$ 934**	**$ 1,591**	$ 2,115
Transfer to Stage 1	**94**	**(14)**	**(80)**	**-**	-
Transfer to Stage 2	**(8)**	**8**	**-**	**-**	-
Transfer to Stage 3	**(5)**	**-**	**5**	**-**	-
Net remeasurement of allowances for loan losses	**(192)**	**6**	**240**	**54**	(480)
New members loans originated	**126**	**1**	**51**	**178**	151
Loans written off	**-**	**-**	**(436)**	**(436)**	(303)
Recoveries of amounts previously written off	**-**	**-**	**94**	**94**	108
Balance at December 31	**$ 650**	**$ 23**	**$ 808**	**$ 1,481**	$ 1,591

Commercial Loans	**Stage 1**	**Stage 2**	**Stage 3**	**2022 Total**	2021 Total
				(thousands of Canadian dollars)	
Balance at January 1	**$ 374**	**$ 799**	**$ 2,133**	**$ 3,306**	$ 4,232
Transfer to Stage 1	**357**	**(357)**	**-**	**-**	-
Transfer to Stage 2	**(6)**	**68**	**(62)**	**-**	-
Transfer to Stage 3	**-**	**-**	**-**	**-**	-
Net remeasurement of allowances for loan losses	**(253)**	**(67)**	**(1,091)**	**(1,411)**	(1,027)
New members loans originated	**155**	**-**	**-**	**155**	102
Loans written off	**-**	**-**	**(985)**	**(985)**	(19)
Recoveries of amounts previously written off	**-**	**-**	**15**	**15**	18
Balance at December 31	**$ 627**	**$ 443**	**$ 10**	**$ 1,080**	$ 3,306

4. MEMBERS' LOANS (continued)

Write-offs

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. During the year there was a recovery of a stage 3 commercial loan. The recovery was recognized in 2022 as income through loan loss expense and received subsequent to year end. The balance was written off in 2022 and is no longer being pursued. Below are the contractual amounts of members loans written off in the year where, for personal loans, recovery is still being pursued as at December 31, 2022.

	2022
	(thousands of Canadian dollars)
Mortgages	$ -
Personal loans	**436**
Commercial loans	**985**
	$ 1,421

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 continues 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)

	Residential Mortgages 2022	Personal Loans 2022	Commercial Loans 2022	Total 2022	Total 2021
				(thousands of Canadian dollars)	
Secured by real estate	$ 1,450,089	$ 2,085	$ 364,809	$ 1,816,983	$ $1,662,776
Secured by non-real estate	-	75,578	12,634	88,212	84,022
Unsecured	-	1,417	528	1,945	1,900
	$ 1,450,089	$ 79,080	$ 377,971	$ 1,907,140	$ $1,748,698

Residential mortgage loans include $228,252,938 (2021 - $235,855,534) of loans insured by Canada Mortgage and Housing Corporation or Sagen MI Canada Inc. 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 $7,219,534 (2021 - $11,498,319). 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 3.25% (2021 - 3.03%) and the weighted average term to maturity was 2.31 years (2021 - 2.40 years). The fair value of members' loans as at December 31, 2022 is as follows:

	2022	2021
	(thousands of Canadian dollars)	
Residential mortgages	$ 1,375,447	$ 1,344,644
Personal loans	78,548	78,478
Commercial loans	367,355	328,265
	$ 1,821,350	$ 1,751,387

5. MEMBERS' DEPOSITS

	2022	2021
	(thousands of Canadian dollars)	
Chequing accounts	**$ 496,759**	$ 503,361
Demand savings accounts	**201,802**	224,329
Term deposits	**622,816**	559,041
Registered retirement savings plans	**141,720**	140,427
Registered retirement income funds	**115,642**	108,230
Tax free savings account	**250,660**	216,273
	1,829,399	1,751,661
Accrued interest on member deposits	**11,473**	5,881
	$ 1,840,872	$ 1,757,542

Terms and Conditions

Chequing deposits are due on demand and bear interest at a variable rate up to 0.05% at December 31, 2022. 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 0.95% at December 31, 2022. 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, 2022 range from 0.50% to 4.70%.

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, 2022.

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, semi-annual 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 0.95% at December 31, 2022.

Included in demand savings accounts and term deposits is an amount of $7,343,389 (2021 - $7,051,297) 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:

	2022		2021	
	Principal	**Yield(%)**	Principal	Yield(%)
Variable rate	**$ 698,561**	**0.54**	$ 727,690	0.16
Fixed rate due less than one year	**748,596**	**2.63**	638,580	1.02
Fixed rate due between one and five years	**382,242**	**3.15**	385,391	1.96
	$ 1,829,399		$ 1,751,661	

i) Recognition and Initial Measurement

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

ii) Classification and Subsequent Measurement

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

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.

Members' 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.

The Financial Services Requlatory Authority of Ontario (FSRA) Liquidity Adequacy Requirements for Credit Unions and Caisses Papulaires rule articulates the methodology that Credit Unions must use to calculate liquidity requirements and the expectations for Credit Unions to maintain adequate and prudent liquidity. The Credit Union measures liquidity risk through calculating the liquidity coverage ratio, the net stable funding ratio, the net cumulative cashflow and high quality liquid assets as a percentage of total assets.

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, 2022, the position of the Credit Union is as follows:

	Maximum Exposure
	(thousands of Canadian dollars)
Qualifying liquid assets on hand	
Cash resources	**$ 6,176**
Liquidity deposits	**153,356**
	159,532
Minimum High Quality Liquid Assets (HQLA)	**106,782**
Excess Liquidity	**$ 52,750**

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 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, 2022 is as follows:

	2022	2021
	(thousands of Canadian dollars)	
Chequing and demand savings accounts	**$ 698,561**	$ 727,690
Term deposits	**613,661**	563,323
Registered plans	**501,143**	468,574
	$ 1,813,365	$ 1,759,587

For fixed rate deposits, the weighted average market interest rate used in estimating fair value was 2.79% (2021 - 1.34%) and the weighted average term to maturity was 1.23 years (2021 - 1.15 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*.

	2022		2021	
	Equity	Liability	Equity	Liability
			(thousands of Canadian dollars)	
Membership shares	$ -	$ 1,324	$ -	$ 1,254
Class A Investment shares (net of issuance costs)	61,727	-	61,727	-
Class B Affinity shares	16,061	-	16,499	-
	$ 77,788	$ 1,324	$ 78,226	$ 1,254

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, 2022, there were 264,861 membership shares issued (2021 – 250,865).

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, 2022, there were 62,235,017 Class A shares issued (2021 – 62,235,017). The Class A shares pay dividends at the discretion of the Board of Directors in the form of cash or additional shares. On December 13, 2022, the Board of Directors of the Credit Union passed a resolution to declare a dividend of 5.00% on the Class A shares, payable to the shareholders of record at December 31, 2022. 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, 2022 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, 2022, there were 15,311,539 Class B Affinity shares issued (2021 - 15,398,504). The Class B shares pay dividends at the discretion of the Board of Directors in the form of cash or additional shares. On December 13, 2022, the Board of Directors of the Credit Union passed a resolution to declare a dividend of 4.25% on the Class B shares, payable to shareholders of record at December 31, 2022. 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 December 2022, the Board authorized the Credit Union to issue approximately 750,000 (2021 – 1,100,000) Class B Affinity shares, recorded as an expense on the Statement of Income. In total, the Credit Union recorded net patronage allocations in the year of $719,661 (2021 - $1,100,000). Class B shares available for redemption as of December 31, 2022 total 1,063,155.

Distributions to Members

Dividends recorded to Members' Equity are as follows:

	2022	2021
	(thousands of Canadian dollars)	
Dividends on Class A Investment shares	**$ 3,090**	$ 3,297
Dividends on Class B Affinity shares	**687**	854
	$ 3,777	$ 4,151

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.

The FSRA Capital Adequacy Requirements for Credit Unions and Caisses Populaires (the "FSRA rule") require that the Credit Union establish and maintain a minimum level of capital for the ratios outlined in the table below. The Supervisory Capital Ratio consists of the Total Capital Ratio plus a 2.50% capital conservation buffer requirement.

The Credit Union maintains an internal policy that minimum capital ratios shall be no less than outlined in the table below.

RATIO	CALCULATION	BOARD POLICY MINIMUM	REGULATORY MINIMUM
Leverage (as a percentage of assets)	Regulatory Capital/(Total Assets + Risk Weighted Off Balance Sheet Assets)	4.5%	3.0%
Retained Earnings	(Retained Earnings + Contributed Surplus)/Risk Weighted Assets	3.5%	3.0%
Tier 1 Capital	Tier 1 Capital/Risk Weighted Assets	7.5%	6.5%
Total Capital	Total Capital/Risk Weighted Assets	9.0%	8.0%
Supervisory Capital	Total Capital Ratio + 2.5%	11.5%	10.5%

The Credit Union considers its capital to include membership shares (Member shares, Class A Investment shares, Class B Affinity shares), contributed surplus, retained earnings and a portion of accumulated other comprehensive income. With the new FSRA rule, regulatory capital now includes all accumulated other comprehensive income and various defined deductions of which one, the amount of computer software as an aggregate exceeding l% of the Credit Union's Tier l Capital, is applicable.

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 2020 which establishes the applicable percentage for each class of assets. The Credit Union's risk weighted value of its assets as at December 31, 2022 was $1,027,317,855 (2021 - $924,999,950).

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:

	2022	2021
	(thousands of Canadian dollars)	(Restated – Note 24)
Tier 1 Capital		
Class A Investment shares	**$ 61,727**	$ 61,727
Class B Affinity shares	**16,061**	16,499
Less: Redeemable portion of Class A and Class B shares	**(3,672)**	(3,697)
Membership shares	**1,324**	1,254
Contributed surplus	**656**	615
Retained earnings	**68,346**	64,607
Accumulated other comprehensive income	**(1,908)**	-
Software exceeding 1% of Tier 1 capital	**(1,498)**	n/a
Net Tier 1 Capital	**141,036**	141,005
Tier 2 Capital		
Redeemable portion of Class A and Class B shares	**3,672**	3,697
Allowance for loan loss	**2,479**	2,374
Total Tier 2 Capital	**6,151**	6,071
Total Regulatory Capital	**$ 147,187**	$ 147,076
Tier 1 Capital Ratio	**13.73%**	15.24%
Total Capital Ratio	**14.33%**	15.90%
Leverage Ratio	**6.84%**	7.29%

8. CASH RESOURCES AND LIQUIDITY DEPOSITS

Cash resources consist of cash and cash equivalents. Liquidity deposits consist of deposit notes and High Quality Liquid Assets (HQLA). The Credit Union's current accounts are held with Central 1. At December 31, 2022 the Credit Union recognized an other comprehensive loss of $3,122,493 (2021 - $148,993 gain) as the HQLA fair value adjustment.

At December 31, 2022 $15,927,958 (2021 - $20,049,404) of Kawartha's securitized mortgages were held as HQLA investments. In 2021 the Credit Union moved some securitized mortgages from residential mortgage loans into the HQLA portfolio during the year.

Cash resources and liquidity deposits are initially measured at fair value plus transaction costs and subsequently measured at amortized cost. HQLA investments are initially measured at fair value with transaction costs expensed. HQLA investments are classified and subsequently measured at FVOCI. Upon derecognition the cumulative gains or losses of HQLA investments are reclassified from OCI and recorded in profit and loss.

8. CASH RESOURCES AND LIQUIDITY DEPOSITS (continued)

	2022	2021
	(thousands of Canadian dollars)	
Cash resources	**$ 6,176**	$ 20,061
Liquidity deposits	**34,000**	55,000
High Quality Liquid Assets (HQLA)	**103,427**	99,055
Kawartha securitized mortgages held in HQLA	**15,929**	20,049
Total liquidity deposits	**153,356**	174,104
Total cash resources and liquidity deposits	**$ 159,532**	$ 194,165

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.

The Credit Union’s interest rate risk is monitored by management through the Asset Liability Committee and managed within the policies and limits approved by the Board. For the year ended December 31, 2022, the Credit Union was in compliance with these policies.

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**
Interest sensitive					(thousands of Canadian dollars)
< 6 months	**$ 579,499**	**3.04**	**$ 3,705**	**1.68**	**$ 575,794**
1 year	**204,181**	**3.45**	**566,104**	**2.65**	**(361,923)**
2 years	**365,282**	**3.26**	**337,186**	**2.43**	**28,096**
3 years	**397,500**	**3.06**	**165,947**	**3.13**	**231,553**
4 years	**346,656**	**2.62**	**93,525**	**1.92**	**253,131**
5 years	**174,738**	**3.62**	**92,720**	**2.86**	**82,018**
Interest sensitive	**$ 2,067,856**		**$ 1,259,187**		**$ 808,669**
Non-interest sensitive	**$ 64,285**		**$ 872,954**		**$ (808,669)**
Total	**$ 2,132,141**		**$ 2,132,141**		**$ -**

9. FINANCIAL MARGIN AND INTEREST (continued)

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 1.00% could result in an increase to net income of $1,676,000 while a decrease in interest rates of 1.00% could result in a decrease to net income of $691,000.

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.

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:

	2022			2021		
	<12 months	**>12 months**	**Total**	<12 months	>12 months	Total
						(thousands of Canadian dollars)
Financial assets						
Cash resources	**$ 6,176**	**$ -**	**$ 6,176**	$ 20,061	$ -	$ 20,061
Liquidity deposits	**88,948**	**64,408**	**153,356**	78,341	95,763	174,104
Investments	**5,032**	**13,025**	**18,057**	20,044	8,026	28,070
Member loans	**390,436**	**1,516,704**	**1,907,140**	355,536	1,393,162	1,748,698
Right-of-use assets	**1,249**	**15,671**	**16,920**	1,261	16,880	18,141
Other assets	**7,203**	**4,800**	**12,003**	4,648	4,462	9,110
	$ 499,044	**$ 1,614,608**	**$ 2,113,652**	$ 479,891	$ 1,518,293	$ 1,988,184
Financial Liabilities						
Term loans	**$ 2,000**	**$ -**	**$ 2,000**	$ -	$ -	$ -
Members' deposits	**1,458,630**	**382,242**	**1,840,872**	1,372,151	385,391	1,757,542
Accounts payable accrued liabilities	**7,931**	**-**	**7,931**	10,434	-	10,434
Lease liabilities	**1,099**	**16,672**	**17,771**	1,076	17,733	18,809
Securitized mortgages under administration	**14,753**	**96,595**	**111,348**	19,036	59,054	78,090
Members' shares	**-**	**1,324**	**1,324**	-	1,254	1,254
	$ 1,484,413	**$ 496,833**	**$ 1,981,246**	$ 1,402,697	$ 463,432	$ 1,866,129

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, 2022.

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 Union's derivative portfolio.

At December 31, 2022

	Maturities of Derivatives (Notional Amounts)			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	$ -	$ 854
Foreign exchange	4,700	-	4,700	-	36
Index-linked options	560	5,367	5,927	462	462
Total	$ 80,260	$ 5,367	$ 85,627	$ 462	$ 1,352

At December 31, 2021

	Maturities of Derivatives (Notional Amounts)			Fair Value	
	Within 1 year	1 to 5 years	Total	Asset	Liability
				(thousands of Canadian dollars)	
Interest rate swaps:					
Receive fixed	$ -	$ -	$ -	$ -	$ -
Foreign exchange	4,400	-	4,400	-	66
Index-linked options	487	4,986	5,473	722	722
Total	$ 4,887	$ 4,986	$ 9,873	$ 722	$ 788

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 can enter into fixed interest rate swap contracts with Central 1 to hedge the Credit Union's exposure to interest rate risks. As at December 31, 2022, the Credit Union had entered into three interest rate swap contracts for a total of $75,000,000 (2021 – nil) notional principal whereby it has agreed to pay at variable interest rates based on the three month Canadian Dollar Offered Rate ("CDOR") and receive at fixed interest rates. The swap contracts have fixed interest rates between 3.41% and 3.62% with maturity dates between June 2023 and December 2023. All agreements are secured by a general security agreement covering all assets of the Credit Union.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

Equity Index-Linked Deposits

The Credit Union has outstanding $5,854,807 (2021 - $5,720,179) 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 the S&P TSX index. The embedded derivative associated with these deposits are presented in liabilities and have a fair value of $462,431 (2021 - $722,392).

The Credit Union has entered into hedge agreements with Central 1 to offset the exposure to the index associated with this product, whereby the Credit Union pays a fixed rate of interest for the term of each index-linked term deposit on the face value of the deposit 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 index. As at December 31, 2022, the Credit Union had entered into such contracts on index-linked term deposits for a total of $5,926,733 (2021 - $5,473,134). These contracts are presented in assets and have a fair value of $462,431 (2021 - $722,392). 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, 2022 and 2021.

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 FVOCI. The FVOCI 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 FVOCI designation was made on Other Investments because the investments are expected to be held for the long term for strategic purposes.

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.

The Credit Union measures Liquidity investments and Guaranteed Investment Certificates at amortized cost. The amortized cost designation was made because the objective of the investments is to collect contractual cash flows. Interest revenue, credit impairment and foreign exchange gains or losses are recognized in profit and loss. On derecognition, gains or losses are recognized in profit and loss.

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.

	2022	2021
	(thousands of Canadian dollars)	
Central 1 Credit Union Limited		
Class A membership shares	**$ 589**	$ 590
Class E membership shares	**2,285**	2,285
Other investments	**93**	68
Excess liquidity deposits	**15,090**	25,127
	$ 18,057	$ 28,070

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.

11. INVESTMENTS (continued)

Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis. Fair value is determined based on the rebalancing mechanism used by Central 1, which calculates the amount of shares a credit union must hold. On May 31, 2022 Central 1 approved the Class A share rebalancing based on consolidated assets. Class A shares decreased by $982. 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.

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.

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2022 and 2021. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

The Credit Union maintains other excess liquidity deposits issued by large Canadian Financial Institutions and in compliance with liquidity and investment policies. The deposits bear interest at varying rates, dependent on the term of the investment, and are measured at amortized cost.

On January 8, 2021 the Credit Union received funds of $5,323,715 due to the termination of the Mandatory Liquidity Pool held with Central 1.

12. MORTGAGE SECURITIZATIONS AND TRANSFERS

For securitization transactions, loans are derecognized only when the contractual rights to receive the cash flows from these assets have ceased to exist or substantially all the risks and rewards of the loans have been transferred. If the criteria for derecognition have 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 $61,473,178 (2021 - $34,070,493). The Credit Union retains mortgage servicing responsibilities but does not receive an explicit servicing fee for its servicing responsibilities. As a result of scheduled maturities of securitized asset pools, the Credit Union during the year derecognized $252,969 (2021 - $17,357,383) of securitization assets.

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

12. MORTGAGE SECURITIZATIONS AND TRANSFERS

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.

	2022	2021
	(thousands of Canadian dollars)	
Carrying amount of assets:		
Members' loans (Note 4)	**$ 114,696**	$ 81,763
Other securitization assets (Note 15)	**2,848**	2,797
Carrying amount of associated liabilities:	**(111,348)**	(78,090)
Net position	**$ 6,196**	$ 6,470

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, 2022, 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, 2022 the Credit Union had $73,850,000 of unused credit facilities (2021 - $75,850,000). 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 $19,103,000 over a seven 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, 2022 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

	2022	2021
	(thousands of Canadian dollars)	
Interest receivable on liquidity deposits	$ **855**	$ 487
Deferred income taxes (Note 18)	**1,533**	964
Other securitization assets (Note 12)	**2,848**	2,797
Other assets	**6,767**	4,862
	$ **12,003**	$ 9,110

16. OTHER INCOME

	2022	2021
	(thousands of Canadian dollars)	
Service fee revenue	$ **8,979**	$ 10,005
Other income	**634**	1,031
Rental income	**616**	305
Derivative loss	**(457)**	(267)
Foreign exchange gain	**379**	244
CEBA administration fee	**94**	90
Gain on sale of assets	**-**	29
	$ **10,245**	$ 11,437

17. OTHER EXPENSES

	2022	2021
	(thousands of Canadian dollars)	
Equipment costs	$ **854**	$ 913
Professional services	**654**	591
Other supplies and postage	**572**	589
Education and staff development	**322**	267
Telephone	**228**	215
Central dues and regulatory assessments	**108**	203
Miscellaneous	**226**	184
Savings and loan life insurance	**132**	127
Collection costs	**71**	78
	$ **3,167**	$ 3,167

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:

	At December 31, 2021	Recognized in Net Income	Recognized in OCI	**At December 31, 2022**
				(thousands of Canadian dollars)
Employee future benefits	$ 1,073	$ 18	$ (87)	**$ 1,004**
Allowance for impaired loans	489	(22)	-	**467**
Property and equipment	(718)	84	-	**(634)**
HQLA deposits	-	-	541	**541**
Other	120	35	-	**155**
	$ 964	$ 115	$ 454	**$ 1,533**

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:

	2022	2021
	(thousands of Canadian dollars)	(Restated – Note 24)
Income before income taxes	**$ 8,900**	$ 11,784
Statutory income tax rate	**26.50** %	26.50 %
Expected income tax expense	**2,359**	3,123
Decrease in taxes resulting from:		
Reduction due to Ontario credit union tax reduction	**(739)**	(988)
Tax savings on dividends	**(292)**	(1,038)
Non-deductible expenses and other reconciling items	**(397)**	28
Income tax expense	**$ 931**	$ 1,125

The income tax expense recognized in net income consists of the following:

	2022	2021
	(thousands of Canadian dollars)	
Current provision	**1,499**	950
Deferred provision (recovery)	**(115)**	175
	$ 1,384	$ 1,125

The income tax expense recognized in OCI consists of a deferred recovery of $453,453 (2021 – nil).

19. EMPLOYEE FUTURE BENEFITS

i) Defined Contribution Pension Plan

The Credit Union sponsors a defined contribution pension plan. Contributions to the plan during the year ended December 31, 2022 were $1,007,303 (2021 - $956,222).

ii) 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, 2022.

The accrued benefit obligation at December 31, 2022 of $5,514,600 (2021 - $5,894,519) and the net periodic benefit cost for the year ending December 31, 2022 was determined by actuarial valuation using a discount rate of 4.30% (2021 - 3.40%).

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

	2022	2021
	(thousands of Canadian dollars)	
Accrued benefit obligation:		
Balance at the beginning of the period	**$ 5,895**	$ 5,721
Service cost for the period	**70**	67
Interest cost for the period	**199**	267
Benefits cost for the period	**(167)**	(160)
Actuarial gain	**(482)**	
Accrued liability	**$ 5,515**	$ 5,895
Components of net periodic benefit cost:		
Service cost for the period	**70**	67
Interest cost for the period	**199**	267
Net periodic benefit cost	**$ 269**	$ 334

The main actuarial assumptions employed for the valuations are as follows

General Inflation [CPI rate]	2.00%
Interest [discount] rate	4.30%

Medical costs were assumed to increase at the CPI rate plus 2.90% in 2022, adjusted every five years based on actuarial assumptions, until reaching the CPI rate plus 2.60% in 2041 and thereafter.

Dental costs were assumed to increase at the CPI rate plus 3.20% in 2022, adjusted every five years based on actuarial assumptions, until reaching the CPI rate plus 2.60% in 2041 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 2022 on the Accrued benefit obligation:

	Increase	Decrease
Interest [discount] rate	$ (772,700)	$ 980,400
Health care cost trend rate	$ 907,100	$ (732,200)

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	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 items 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, 2020	$ 3,484	$ 11,580	$ 24,439	$ 12,128	$ 51,631
Additions	59	9	830	150	1,048
Disposals	-	-	(70)	-	(70)
Balance at December 31, 2021	3,543	11,589	25,199	12,278	52,609
Additions	-	122	1,102	60	1,284
Disposals	-	-	(41)	(70)	(111)
Balance at December 31, 2022	**$ 3,543**	**$ 11,711**	**$ 26,260**	**$ 12,268**	**$ 53,782**
Accumulated Depreciation					
Balance at December 31, 2020	$ 233	$ 3,855	$ 16,132	$ 6,029	$ 26,249
Depreciation Expense	46	363	2,024	720	3,153
Disposals	-	-	(10)	-	(10)
Balance on December 31, 2021	279	4,218	18,146	6,749	29,392
Depreciation Expense	44	363	1,940	700	3,047
Disposals	-	-	(2)	-	(2)
Balance at December 31, 2022	**$ 323**	**$ 4,581**	**$ 20,084**	**$ 7,449**	**$ 32,437**
Net Book Value					
December 31, 2021	$ 3,264	$ 7,371	$ 7,053	$ 5,529	$ 23,217
Balance at December 31, 2022	**$ 3,220**	**$ 7,130**	**$ 6,176**	**$ 4,819**	**$ 21,345**

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 February 2023 and August 2035 with extension periods ranging from 5 to 20 years. Extension options are included in the lease term when the Credit Union is reasonably certain to exercise that option. The lease payments comprise annual payments over the lease term ranging from $7 to $58 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 December 31, 2021	$	21,306
Additions		-
Modification to lease terms		41
Disposals		-
Balance at December 31, 2022	**$**	**21,347**
Accumulated Depreciation		
Balance at December 31, 2021		(3,165)
Depreciation for the year		(1,262)
Disposals		-
Balance at December 31, 2022		**(4,427)**
Carrying amount at December 31, 2022	**$**	**16,920**

Lease liabilities consist of the following:

		Branch Offices (thousands of Canadian dollars)
Balance at December 31, 2021	**$**	18,809
Additions		**-**
Interest expense		455
Effect of modification to lease terms		38
Variable lease payment adjustment		**-**
Lease payments		(1,531)
Balance at December 31, 2022	**$**	**17,771**

Additional amounts recognized in profit or loss:

		2022		2021
		(thousands of Canadian dollars)		
Depreciation of right-of-use assets	**$**	**1,262**	$	1,262
Interest expense on lease liability		**455**		481
Expenses relating to variable lease payments not included in lease liabilities (included in operating expenses)		**737**		716

Amounts recognized in the statement of cash flows:

		2022		2021
		(thousands of Canadian dollars)		
Total cash outflow for leases	**$**	**1,531**	$	1,505

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 at December 31st:

	2022
	(thousands of Canadian dollars)
No later than 1 year	$ 1,528
Later than 1 year and not later than 5 years	5,984
Later than 5 years	14,372
	$ 21,884

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.

	2022	2021
	(thousands of Canadian dollars)	
Compensation:		
Salaries and other employee benefits	$ 2,089	$ 1,914
Defined contribution pension plan benefits	108	89
	$ 2,197	$ 2,003

	2022	2021
	(thousands of Canadian dollars)	
Loans to key management personnel:		
Aggregate value of loans advanced	$ 1,165	$ 1,204
Interest received on loans advanced	20	13
Total value of lines of credit advanced	25	31
Interest received on lines of credit advanced	1	2
Unused value of lines of credit	65	59

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.

	2022	2021
	(thousands of Canadian dollars)	
Deposits from key management personnel:		
Aggregate value of term and savings deposits	$ 154	$ 1,974
Total interest paid on term and savings deposits	23	37

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

Pursuant to the requirements of IAS 24, related party disclosures, total remuneration for the Credit Union's officers and senior management during the year (including salary, defined contribution pension plan payments, allowances and special payments) was $1,845,966 (2021 - $1,420,908).

Section 40 of O. Reg.105/22 requires the disclosure of remuneration paid to the five highest paid officers and employees where the total remuneration exceeds $175,000 during the year. The individuals and their respective remuneration (salary, defined contribution pension plan payments, allowances and special payments) included Norah McCarthy, President and CEO ($525,000, $23,085, $9,000, $75,251), Mark Oakes, CFO and CRO ($299,899, $15,390), Brad Best, EVP Information Systems and Corporate Services ($234,883, $15,390), Jennifer Gauthier, EVP Human Resources ($223,125, $15,390) and Crystal Dayman, EVP Marketing and Corporate Services ($209,064, $14,525).

Remuneration is fair and competitive with salaries of similar positions at credit unions of approximately equal asset size used as comparators. Kawartha actively participates in compensation surveys to ensure alignment with the market.

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, 2020, provides a broader definition of restricted parties which includes all relatives of Directors and Officers. There were 3 new loans advanced to restricted parties as defined by policy during the year, and there are 12 loans outstanding to such parties with an aggregate value of $1,984,713 at December 31, 2022.

iii) Other Statutory Information

Pursuant to the requirements of the Credit Unions and Caisses Populaires Act, 2020, the following information is provided:

	2022	2021
	(thousands of Canadian dollars)	
Director remuneration paid	$ **164**	$ 175
Deposit insurance premium paid	**1,565**	1,494

23. STATEMENT OF CASH FLOWS

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

	2022	2021
	(thousands of Canadian dollars)	
Interest received on loans to members	**$ 60,258**	$ 55,999
Interest paid on member deposits	**16,829**	19,906

24. COMPARATIVE AMOUNTS

During the year, the Credit Union reclassified its High Quality Liquid Asset (HQLA) investments to be classified and subsequently measured as FVOCI. This change resulted in a restatement of comparative figures which has decreased net income and increased other comprehensive income by $148,993.