

2020

ANNUAL REPORT



VISION

At Radius Credit Union, our vision is to work together to strengthen our communities and provide the best options to meet your financial needs.

Our rural, community focused credit union is a financially strong and viable financial service provider.

We build relationships by providing financial solutions and supporting our communities.

MISSION STATEMENT

VALUES

COMMUNITY

- We support community events and projects as well as promoting community development
- Our communities are stronger because of our credit union
- Our staff and board exhibit leadership by direct involvement in community organizations

FINANCIAL STABILITY

- We make sound financial decisions to ensure long-term success and benefits to our members and communities
- We balance the need for strong financial performance with the needs of our members and communities

EMPLOYEE ENGAGEMENT

- We respect our employees and their contributions to our success
- We support development, providing education and enhancing co-operation to support leadership
- We respect our employees' need to balance their personal and professional lives

CO-OPERATION

- We co-operate with other organizations and the credit union system for our mutual benefit
- We are guided by the co-operative principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, continuous education, cooperation amongst cooperatives and concern for community. These principles set us apart in the financial industry.

SERVICE EXCELLENCE

- We are committed to providing the highest quality service that enhances our value to our members
- We provide financial solutions that meet members needs

Co-operative Principles

As a true co-operative financial institution, Radius Credit Union acts in accordance with internationally recognized principles of co-operation:

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Annual General Meeting Agenda

Location: Virtual Meeting Via Zoom

Date: Tuesday April 13, 2021

Agenda details:

- 1.** Call the meeting to order
- 2.** Confirmation of Quorum & Notice of Meeting
- 3.** Appointment of Secretary
- 4.** Approval of Agenda
- 5.** Minutes of 2019 Annual General Meeting
- 6.** Annual Report
- 7.** Nomination Committee Report
- 8.** Audit Committee Report and Appointment of Auditors
- 9.** Auditors Report and Financial Statement
- 10.** New or Other Business
 - a. Service Awards
 - b. Other/New Business
- 11.** Adjournment of the Business Meeting



Minutes of the 14th Annual Meeting Radius Credit Union

Location: Ogema Heritage Hall

Date: Wednesday July 8, 2020

Chairman Ray Barbarin welcomed everyone to the Fourteenth annual meeting of Radius Credit Union. And officially called the meeting to order at 7:05 p.m.

Ted Struthers presented confirmation of Quorum with 16 members and one guest in attendance. He also gave proof of notice of meeting with the meeting advertised in multiple avenues such as in branches and on the RCU website more than 20 days in advance of the meeting.

Ted Struthers appointed as Secretary of the meeting.

Motion: by Gloria Kirkpatrick and Robert Vermeulen to accept the agenda as presented. Carried.

Motion: by Mark Mellon and Tim Forer to accept the minutes from the April 10th, 2019 annual meeting. Carried.

Ray Barbarin asked the members in attendance, if it was okay not to read pages of his and Ted's reports, as all in attendance have had and reviewed all the reports over the previous 3 months. Total group agreed. Highlights are as follows:

Highlights of the reports presented within the reports were as follows:

- Vision Mission and Values & Co-operative Principles
- Board focus and responsibilities
- Board Attendance, Remuneration and Expenses reviewed
- Committees of the board and who is on them
- All Board members are actively participating in board training
- Strategic Initiatives
- List of Board members, Terms and Years of Service were reported
- 2019 Growth, Margin and Capital reported
- ERM process and focus on risk areas were reported
- Regulatory environment & Capital Standards were reported
- Market Code & Privacy Code reports enclosed
- A listing of all the staff, positions, years of service, as well as the locations they work.
- Corp and Social Responsibility report included branch locations, number of staff and how much payroll income was injected into our local economies.
- Environmental Initiatives were reported along with a listing of Donations and Contributions the Credit Union and staff did in 2019. Over 2,200 volunteer hours were completed.
- A summary of special community events Radius hosted in 2019.

Nominating Committee Report Presented by Steven Berg:

Steven provided a brief report on the composition and role of the Nomination Committee. He also spoke to the structure of the board and on the representation by district. Election of Director Report was presented. Steven also reported that Blair Kotz agreed to run for a one year term on the board, in order to stagger the terms of maturity for District 2.

- Tim Forer – District 1
- Brenda Mazer – District 1
- Ken Bourassa – District 2
- Blair Kotz – District 2 (special one year term)
- Rick Williams – District 3

Audit & Committee Report:

Blair Kotz Chairman of the Audit committee gave a detailed report on role and activity of the Audit & Risk Committee in 2019. Blair expressed the audit committee satisfaction with our External Auditor and recommended that we appoint MNP as our Auditor for 2020.

Motion: By Brenda Mazer and Steven Berg to appoint MNP to be the external auditor for 2020. Carried

Ray Barbarin expressed his appreciation and thanks to the Members of Audit and Risk Committee for all the additional work they do. Their role in the Credit Union has increased significantly over the past few years, and the Board greatly appreciates their time and commitment.

Auditors Report and Financial Statement Presented by Rod Sieffert, MNP:

- Rod reviewed the Manager's responsibility note in the statement
- Also reviewed the Auditors Report to the membership
- Balance sheet and Financial Statement were presented in detail
- Rod pointed out that the Financial Statement in the report was the short form; however, the full-length report was available at the registration desk as well as on the Radius CU Website for anyone wishing to review or receive a copy.
- Closed with thanking staff, board and management for their assistance in conducting the 2019 audit.

Motion: By Rick Williams & Brenda Mazer to accept all above reports as presented. Carried.

New & Other Business:

Service Awards:

No service awards were presented this year in person, due to Covid 19 and all staff were asked to stay away from the AGM due to group size restrictions. All staff have received their recognition and gift of appreciation as of the original AGM meeting date. Executive management delivered the gifts, sincere congratulation, and many thanks.

Board Awards were as follows:

No Board Service awards this year.

Door Prize winners were as follows: Rob Vermeulen, Blair Kotz, Ken Bourassa, Steven Berg, Keith Bacon, Brenda Mazer, Rick Williams, and Ray Barbarin.

Meeting was adjourned by Blair Kotz @ 8:25 p.m.

Chairman

Secretary



Board President and CEO Report

2020 – a new year and a new decade began with such promise and excitement. Unfortunately, that promise and excitement only lasted until March, at which time the Coronavirus progressed from an illness to a world-wide pandemic and our world was plunged into unprecedented times and unheard of challenges.

We are extremely pleased with the leadership provided from Radius Credit Union throughout this past year. Hard decisions were made to work from behind closed doors and thanks to technology and the creative staff we have in our branches, members were still served, just in new ways. At all times, we were confident that the safety and health of the employees and membership were the key priority.

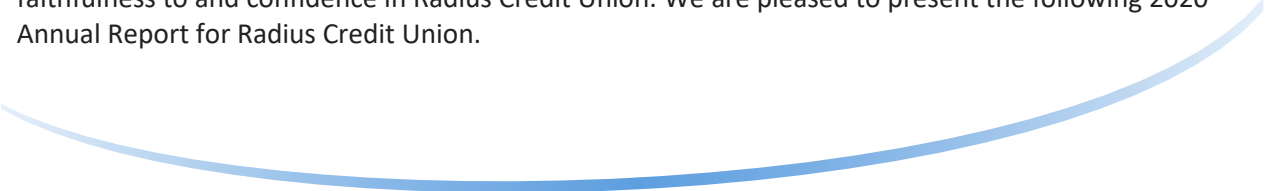
The challenges were many. Members faced all sorts of uncertainties in their personal and business lives. Governments made announcements daily and weekly and staff had to gain an understanding and develop processes to be able to offer these programs. Meetings became virtual. All kinds of recreational and community activities crashed to a halt. Members deferred payments until they could understand how their incomes and businesses would be affected. The challenges were new, difficult and affected members' lives in all sorts of ways.

Our team has done a tremendous job of managing the ever-changing environment while working to continue to grow Radius Credit Union. I would like to thank our management and staff for your ongoing dedication to make Radius the great organization we are today. I would like to thank my fellow Directors for their leadership, knowledge and commitment to Radius Credit Union. And to our members, thank you for your continued business and support.

As the Board of Directors, our priority is to provide sound governance and risk oversight to our credit union. We receive regular reporting from Management. We receive an annual report from our internal and external auditor and our regulators at Credit Union Deposit Guarantee Corporation (CUDGC) who monitor credit union activity on an ongoing basis. Your Board of Directors are completely satisfied that Management provides sound financial and risk management over your credit union.

Radius Credit Union works hard to be your first choice of financial service providers by consistently offering quality member service, competitive service offerings, and access to knowledgeable advisors and continuous investment in technology – so you can access service when you want. We want to continue to educate members on how to be financially literate, be safe using technology and make the right decisions to enhance their financial well-being. We look forward to another year of building relationships with the people of the communities we serve.

Again, thank you for your belief in credit unions and the co-operative principles. Thank you for your faithfulness to and confidence in Radius Credit Union. We are pleased to present the following 2020 Annual Report for Radius Credit Union.



Board of Directors

The board is responsible for the strategic oversight, business direction and supervision of management of Radius Credit Union. In acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the Standards of Sound Business Practice and other applicable legislation. The key roles of the Board include formulation of strategic business plans; setting goals, evaluating the performance of the CEO; approving corporate mission, vision and values; monitoring corporate performance against strategic business plans; oversight of operations; ensuring compliance with laws and regulations; keeping members informed regarding plans, strategies and performance of the Credit Union; and other important matters.

Radius Credit Union 2020 Board of Directors

Director & Occupation	District	Years on Board	Regular Meeting Attendance	Committee Meeting Attendance	All Day Meeting Attendance
Keith Bacon, Farmer	1	22	6	9	1
Ray Barbarin, Farm Labourer	2	32	4	7	0
Steven Berg, Farmer	3	19	6	6	1
Ken Bourassa, Sales Manager	2	30	7	8	1
Tim Forer, Farmer	1	8	7	4	1
Gloria Kirkpatrick, Farmer	1	2	7	3	1
Blair Kotz, Accountant	2	18	6	8	1
Brenda Mazer, Bookkeeper	1	14	7	8	1
Mark Mellon, Farmer	1	23	5	3	1
Rob Vermeulen, Farmer	2	5	7	5	1
Rick Williams, Farmer	3	25	6	6	1

District 1 – Ogema, Avonlea & Pangman

District 2 – Radville & Ceylon

District 3 – Torquay & Tribune

The directors are remunerated a per diem for board meetings, committee meetings and planning sessions. In 2020 the total remuneration paid was \$24,852. Total travel paid to the board was \$4,463.52, Officials Insurance was \$3,376.64, Officials development & other was \$3,904.00. With the total cost incurred of \$36,596.16. This was a significant decrease from previous years due to the inability to get together in person for so much of the year.

GOVERNANCE PRACTICES

Promoting a successful, healthy credit union is accomplished through processes of good governance. Corporate governance involves a set of relationships between a credit union's board, executive management, members and other stakeholders. Effective corporate governance practices are essential to achieving and maintaining the trust and confidence of credit union members, the public and other stakeholders. Radius Credit Union's governance practices are assessed periodically by internal and external auditors and the credit union system regulator (CUDGC). Reviews in 2020 by internal and external audit confirmed that our Board is using effective governance practices that comply with emerging regulatory guidelines.

TRAINING AND EVALUATION

Each director completed a self-assessment in 2020 as per regulatory expectations. Training material will be created based on results in order to improve knowledge in strategic thinking and planning, human resources oversight, financial and risk oversight and legal and regulatory oversight. Through 2020 the directors invested 62 hours into training in order to continue to be a well-informed advocate for the members of Radius Credit Union.

COMMITTEES

The responsibilities of the board of a financial services organization encompass an ever growing list of duties under regulatory oversight. Radius Credit Union maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union. The board determines the skills and abilities needed on each committee and chooses its members accordingly. The board also determines each committee's terms of reference, guidelines and requirements. The President serves as an ex-officio of all committees.

Executive Committee

The Executive Committee acts in the capacity of, and on behalf of the board of directors between regular or special board meetings on all board matters except those, which the board may not delegate due to legislative requirements. The 2020 members of this committee were:

- Ray Barbarin (President)
- Keith Bacon (Vice-President)
- Ted Struthers (Secretary/Treasurer)
- Ken Bourassa
- Steven Berg

Audit & Risk Committee

The Audit and Risk Committee met each quarter of 2020, oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators and reviews internal control procedures. In addition, the committee oversees the identification, understanding and management of risks that may affect Radius Credit Union. The 2020 members of this committee were:

- Blair Kotz
- Brenda Mazer
- Rob Vermeulen (observer)
- Rick Williams
- Ken Bourassa

Credit & Conduct Review Committee

The purpose of the Conduct Review Committee is to ensure that all proposed related party transactions with the Credit Union are fair to the Credit Union and that best judgement is exercised in all matters of related party relationships. The CRC meets to ensure that the directors and employees act with integrity and objectivity by having policies, processes and practices in place that protect people and the organization from claims and the perception of unfair benefit or conflict of interest. The 2020 members of this committee were:

- Rob Vermeulen
- Mark Mellon
- Tim Forer

Building Committee

The Building & Property Committee works with management to develop policies and plans relevant to credit union service facilities. The members of this committee were:

- Steven Berg
- Brenda Mazer
- Ray Barbarin
- Tim Forer
- Gloria Kirkpatrick

Nominating Committee

The nominating committee oversees the nomination and election processes for credit union directors. The 2020 members of this committee were:

- Rick Williams
- Ken Bourassa
- Tim Forer
- Brenda Mazer

Workplace Violence and Harassment Committee

The 2020 members of this committee were:

- Ted Struthers
- Ray Barbarin
- Kimberley Olfert

The full Board of Directors participates in the annual strategic planning session. Steven Berg is the Member Representative to SaskCentral for Radius Credit Union.



The Annual Meeting allows your board of directors and your management team to report on the activities and results of the year. The 2020 Annual Report is provided to our members as a highlight of our past year's performance. We are pleased to share these highlights with the Radius Credit Union communities.

2020 Financial Operation Summary			
(in thousands)	2020	2019	2018
Net Income	1,982	1,878	1,854
Assets	431,596	378,607	351,609
Equity	27,961	25,979	24,101
Equity as % of Assets	6.47	6.86	6.85
Delinquency over 90 Days	0.25	0.18	.11
Operating Expenses	5,704	5,726	5,453

As part of the mission of Radius Credit Union we work hard to be a community minded, financially strong and viable financial service provider. In order to achieve being your first choice for financial services, the Board establishes the strategic direction and management develops action plans to meet all of the objectives of the credit union. The planning process encompasses the development of the strategic plan, the business plan and the operating and long term budgets. Through these plans, the board determines the key drivers for the financial results. The chart above highlights a few of the key financial performance results.

Asset growth

As all readers are aware, 2020 was a year unlike any other we have seen. The start of the year appeared relatively normal and then late in the first quarter the pandemic hit. Radius Credit Union was the same as every other business, guessing what the future would hold. As we progressed through the year assets continued to grow at a very rapid pace. We started the year at \$380 million in assets and ended the year at just over \$431.5 million. Member deposits provide the credit union with funds to lend to members or funds to invest, thereby increasing the assets. Member deposits increased from just over \$350 million to \$401 million over the course of the year. Radius Credit Union's equity ended the year at \$27.9 million - all belonging to you, our 4,513 members. We continue to strive for growth in our equity in these challenging interest rate markets.

Despite being a financial co-operative, Radius is still a business. While the primary focus is not profit, we do have to generate a sufficient operating surplus to meet operating expenses, build capital and return something to members if possible. The credit union generates revenue through interest margin, which is still the largest source of income, service charges and commissions. With the onset of the pandemic, the Canadian Economy ground to a halt. The Federal Government reduced interest rates to an all-time low in efforts to stabilize the economy, as well as provide financial relief for borrowing Canadians. This significant and rapid decline of interest rates put a great deal of pressure on the credit union's profit margin. The interest margin started the year at 2.25% and ended the year at 1.70%. While this does not appear to be a large decline percentage wise, it translates into a decline of just over \$2.3 million in

earnings. On the other side of the income and expense statement there too was a decline. The decline in expense was just over \$22 thousand. This was due to reduced travel, a reduction in sponsorship of community events and development activities, as well as less meeting expenses. The expense number would have shown a larger reduction; however, we did have to increase our provision for expected loan losses by almost \$200 thousand and wrote the foreclosed property value down by an additional \$250 thousand.

With all this uncertainty and economic strain, we are pleased to report retained earnings of \$1,981,742 after payment of patronage on member held equity accounts and taxes. The board approved 2.50% interest payment on member equity accounts. The retained earnings move to the capital to ensure a strong base for organizational stability and future growth.

Loan growth

Loan growth in 2020 was higher than the previous year, however did not keep pace with our deposit growth. The growth rate was 4.37% compared to 2.20% in 2019. The local loan demand was the primary factor contributing to this growth. Once again, with the economic uncertainty, we did not purchase loans from other suppliers. We were very conservative and selective in our reviews, and chose not to take on any undue risk for the Credit Union. As reported in previous reports our loan purchase efforts were focused on quality over quantity. The net increase in loans was just over \$9.4 million compared to the \$5 million from 2019. With the large increase in assets, RCU ended the year at slightly over 56% lent out as compared to the previous year at over 62% lent out.

Delinquency

As a credit granting organization, credit quality is a key risk management area. The credit union's standard for credit quality measures continue to remain strong. Delinquency greater than 90 days increased to .25% of loans at December 31, 2020. While this is up slightly from the previous year, we are very pleased with this result. The uncertainty in the stability of not only the Canadian Economy, but the world as a whole, we feel the Credit Union and its members have performed very well. The Government of Canada implemented a mortgage deferral program for all Canadians both personal and business to assist with the financial stress. Our membership did have signification uptake in this program, however almost all have now returned to regular payments. Our level of delinquency compares favorably to levels experienced by our peer credit union group in Saskatchewan and is lower than the Saskatchewan credit union system average. Radius Credit Union monitors its exposure to potential credit losses and maintains both a general and specific loan allowances accordingly. This year the allowance numbers increased. There was an additional \$200 thousand to the specific allowance and a write down on the Moose Jaw Condo Development property by an additional \$250 thousand. These provisions and write-downs were made in 2020, even though Radius has not sustained a direct loss as of yet. This happens in order to allow for future anticipated losses associated to certain loans, and properties.

Both internal and external audit processes conducted in 2020 also reviewed the quality of the credit portfolio.

Foreclosed Property

At year-end Radius Credit Union held three foreclosed properties. Our total foreclosed property values decreased this year by approximately \$780 thousand. We were able to sell two of the five completed condo units in Moose Jaw. We have the remaining three units along with the serviced lots listed for sale with Century 21 Realty in Moose Jaw.

Further to the Moose Jaw foreclosed property, there is a house in Torquay and one in Radville. Since the end of the year, we have sold the house in Torquay and we have now moved the house in Radville into fixed assets. We have concluded that it is important for the Credit Union to have available housing to assist with employee recruitment. Housing can become a huge issue at times in our communities and we feel it is in our best interest to have a property available. Currently this house is rented out.

In 2020, RCU was forced to foreclose on two additional residential properties. These two and one outstanding from the previous year had CMHC loan guarantees and the Credit Union has been fully paid out.

Summary

At Radius Credit Union, our vision is to work together to strengthen our communities and provide the best options for our members to meet their financial needs. We reported in 2019 that we were expanding the hours in Pangman on a one-year trial basis. A detailed budget was presented at that time to explain what level of business was required to maintain a full time branch in Pangman. We were to review these results in 2020, share with the community leaders and make a decision as to what level of hours were sustainable based on the business level achieved. Due to the pandemic, the Radius Board of Directors approved a one-year extension of the trial starting January 1, 2020. We will monitor closely and communicate to the community on the progress to the plan. The results at year-end will determine the service hours going forward.

As we further reflect on the year past, we are proud of the accomplishments of Radius Credit Union. While we continue to focus on serving the needs of our members, the economic and business conditions we face have an impact to our Credit Union. Despite the challenges we encountered throughout the past year, we were still able to grow our organization, expand the services delivered to our members, keep our staff and members safe and find efficiencies that could be reinvested back into our organization for the benefit of our members, and owners.

We are always proud of our staff as they align with our credit union values and making a difference. This past year it was not as easy for our team to volunteer hours of their time to projects and initiatives that make the communities we live in even better. However, they certainly were creative in their approach to ensure our membership continued to feel safe and received access to all the services they needed.

As we look to 2021, our mission continues to be building relationships with you, supporting our communities and providing financial solutions so that Radius Credit Union is the first and best option to meet your financial needs.

Thank you for your continued support of your local credit union!

Enterprise Risk Management (ERM)

Each year Radius Credit Union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our members and communities now and in the future. This process is called Enterprise Risk Management (ERM) and is mandated by CUDGC as a requirement of all credit unions in Saskatchewan.

As a financial institution, Radius Credit Union is exposed to a variety of risk. Risk is the downside that exists in almost every component of the Credit Union's activities. Risk represents the potential negative impact to the Credit Union's ability to achieve important goals. Risk can also cause financial loss and harm to a credit union's reputation. Managing or appropriately balancing, risk with business opportunities is the top priority for the Board of Directors and Management at Radius Credit Union. Building sound policies and operational processes, risk based audit practices and capital and liquidity management strategies, all supported by strong human resources, is the heart of our strategic objectives.

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated and unexpected business events. An adequate capital position allows the Credit Union to absorb unexpected losses, implement long term strategic plans and signal financial strength. Our main objective remains to preserve and build capital while growing our business.

When considering risks, Radius Credit Union determines the appropriate levels of control over all risks using an ERM approach for the identification, measurement and monitoring of risks. The Credit Union's operations undergo regular independent assessment through external audit, internal audit and regulatory reviews to ensure that key risks are being mitigated and any potential impacts to capital are reported accordingly.

Our enterprise risk management framework manages risks in the following categories:

Strategic Risk

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, member preferences, obsolete products or resource allocation, will impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

Radius Credit Union has formal planning processes which result in a strategic business plan focused on strategic objectives as outlined earlier. The credit union uses a comprehensive reporting process to monitor performance relative to plans and provides regular updates to the Board. The Enterprise Risk Management process further identifies emerging risks and formulates plans as risks are identified. In addition, directors attend training as well as system meetings and conferences to hear other perspectives and learn from other credit unions.

Credit Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its obligations. Radius Credit Union is affected primarily by its direct lending activities. In addition to lending to its members, Radius Credit Union assumes risks related to loans purchased from other credit unions and affiliates, leases financed through leasing corporations and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, inadequate allowance risk and policy exceptions risk.

Lending practices are set by the Board of Directors in policy and put into practice through procedures established by management. Review and revision of lending policies and procedures are completed on a regular basis.

Credit granting is performed in accordance with approved policies, procedures and applicable legislation. This includes credit analysis, pricing, terms and documentation for lending. Loan pricing structures are in place to support lenders in pricing decisions and to ensure risk is offset by rates. Concentration limits in regard to industry and size of loans have been designed to reflect our risk tolerance. Credit risk is further mitigated through training of loans personnel.

The credit union's credit portfolio and lending practices undergo regular and ongoing independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to management and to the Board of Directors through the Audit and Risk Committee (ARCO).

Market Risk

Market risk is the exposure to potential loss from changes in market prices or rates and foreign exchange risk. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.

The credit union's market risk is impacted primarily by movements in interest rates specifically from the timing differences that exist between the re-pricing of loans, investments and deposits.

Foreign exchange risk occurs when members change Canadian funds for another currency; which in our case are predominantly US dollars. This risk is offset by the credit union maintaining a US Dollar Account with SaskCentral in a similar amount to funds held in member US Dollar accounts. When members exchange currency, we complete a similar transaction to offset any risk exposure. Foreign exchange risk is monitored at least quarterly and adjustments to the account at SaskCentral are made as required.

The credit union's exposure to changes in interest rate is monitored by management and reviewed by the Management Asset & Liability Committee (ALCO) who in turn reports to the Audit & Risk Committee.

Liquidity Risk and Management

Liquidity is required to meet the day to day cash needs and loan demands of our members. Liquidity risk arises from general funding activities and through management of our assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits.

One of Radius's primary objectives as a financial institution is to prudently manage liquidity to ensure we can generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price,

to meet commitments as they become due, even under stressed conditions. Radius's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as our financial plan which is approved by the board on an annual basis.

The principles of Radius's liquidity management framework are:

- Maintaining a strategy and policies for managing liquidity risk;
- Maintaining a stock of liquid assets;
- Measuring and monitoring funding requirements;
- Managing market access to funding sources;
- Contingency planning and
- Ensuring internal controls over liquidity risk management process.

Radius has established policy with respect to liquidity and has processes and practices with respect to the management of funding requirements. We have built and maintain access to a number of funding sources. The primary source of funding, being our deposit portfolio which was over \$431 million as at 2020 year-end.

In addition to deposits, Radius has a \$6.8 million line of credit at SaskCentral, the ability to borrow additional demand credit at SaskCentral, approved access to market investments by way of brokerage, and also the ability to syndicate credit with other credit unions and organizations.

Utilizing these various funding sources achieves funding diversification as required to meet overall funding assurance to the organization.

Liquidity risk continues to be measured by analyzing the structure of the balance sheet.

Asset Composition

	2020	2019	Change	
			\$	%
Cash and Investments	185,475,550	141,958,904	43,516,646	30.65%
Loans	244,202,574	234,842,301	9,360,273	3.99%
All Other Assets	1,917,776	1,806,645	111,131	6.15%
Total Assets	431,595,900	378,607,850	52,988,050	14.00%

Asset Composition as a percentage of all assets:

	2020	2019	2018	2017	2016
Cash and Investments	42.97	37.49	34.15	40.84	40.36
Loans	56.58	62.03	65.36	58.68	59.12
All Other Assets	0.44	0.48	0.49	0.48	0.53

Balance sheet composition is important from a liquidity management perspective as the organization must ensure it carries an appropriate level of high-quality liquid assets, while at the same time attempting to get the best return possible on these investments. These assets are reported on the balance sheet as cash or cash equivalents as well as in the investment portfolio.

An important measure of liquidity risk Radius employs is the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure that a credit union has an adequate stock of unencumbered high-quality assets (HQLA) that:

- Consists of cash or assets that can be converted to cash at little or no loss of value; and
- Meets its liquidity needs for a 30-day calendar day stress scenario, by which time it is assumed corrective actions have been taken by the credit union.

Liquidity Coverage Ratios			Change	
	2020	2019	\$	%
Level 1A Weighted Assets	37,116,694	28,406,307	8,710,387	30.66%
Level 2A Weighted Assets	272,284	0	272,284	100.0%
Level 2B Weighted Assets	2,672,868	2,664,913	7,955	0.30%
High Quality Liquid Assets (HQLA)	40,061,846	31,071,220	8,990,626	28.94%
Retail and Small Business Deposit Run-Off	7,382,313	6,379,054	1,003,259	15.73%
Unsecured Wholesale Funding Run-Off	18,866,167	14,789,607	4,076,560	27.56%
Secured Funding Run-Off	0	0		
Additional Requirements	2,106,929	1,859,956	246,973	13.28%
Total Prescribed Outflows	28,355,409	23,028,617	5,326,792	23.13%
Total Prescribed Cash Inflows	12,183,145	13,438,875	-1,255,730	-9.34%
Net Prescribed Cash Outflows	16,172,264	9,589,742	6,582,522	68.64%
Liquidity Coverage Ratio (LCR)	247.72%	324.00%		

Under the current provincial regulatory environment, Credit Union Deposit Guarantee Corporation has established minimum LCR requirements of which Radius Credit Union has met and well surpassed this level.

In addition, we continue to conduct multiple different stress testing; we model different scenarios and calculate the resulting impact on organizational liquidity. The results of this stress testing are reported annually to the Audit and Risk Committee.

Legal and Regulatory Risk

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards.

Policies, procedures and controls are designed to ensure Radius Credit Union is compliant. Our Chief Financial & Risk Officer oversees our processes related to certain pieces of legislation and reports

quarterly to the Audit & Risk Committee and in turn to the board. We continue to contract Internal Audit from SaskCentral to review our processes and controls on an annual basis. In addition, our external auditors and regulatory bodies examine processes and controls to ensure compliance.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from increasing efficiency ratios, the impact of shrinking margins, and the potential of increased cost to retain staff, deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters. Operational risk is managed through the use of policies and procedures, controls and monitoring. Control and monitoring involves segregation of duties, employee training, performance management and structured internal and external audit functions. Other mitigating factors include changes made to increase revenues and decrease expenses, monitoring human resource changes and practices in the marketplace, business continuity planning, appropriate insurance coverage and secure technology solutions. Our banking platform is maintained offsite and includes a very complicated back up and disaster recovery process.

Residential Mortgage Portfolio

In accordance with regulatory guidelines, Radius Credit Union is required to provide additional credit disclosures regarding our residential mortgage portfolio.

Radius is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects Radius's real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently Radius uses Canada Mortgage and Housing Corporation (CMHC) and Genworth to provide mortgage default insurance.

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. Radius Credit Union is limited to providing HELOCs of no more than 65% of the collateral value.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and a decrease in housing prices, Radius performs stress tests. The stress testing uses historical delinquency and write-off information over the past 5 years. Our results show that in an economic downturn, Radius's capital position would be sufficient to absorb residential mortgage and HELOC losses.

Residential Mortgage Loan Portfolio

	2020	%	2019	%	Change	%
Insured	21,845,124	34.69%	23,255,709	35.9%	(1,410,585)	-2.2%
Uninsured	41,120,414	65.31%	41,561,176	64.1%	(440,762)	-0.7%
HELOC	0	0.00%	0	0.00%	0	0.00%
Total Loans	62,965,538	100.0%	64,816,885	100.0%	(1,851,347)	-2.86%

Residential Mortgage Term Loan Portfolio by Amortization

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	201	14,185,937	22.5%	70,577
10-15 years	58	6,290,352	10.0%	108,454
15-20 years	104	15,316,834	24.3%	147,277
20-25 years	121	27,172,415	43.2%	224,565
greater than 25 years	0	0	0.0%	0
	484	62,965,538	100.0%	130,094

Residential Mortgage Portfolio by Province

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Saskatchewan	412	61,669,516	97.9%	149,683
Alberta	11	233,275	0.4%	21,207
British Columbia	5	137,330	0.2%	27,466
Ontario	34	638,500	1.0%	18,779
Manitoba	1	16,158	0.0%	16,158
New Brunswick	18	236,758	0.4%	13,153
Nova Scotia	3	34,000	0.1%	11,333
	484	62,965,538	100%	130,094

Capital Management

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Credit Union Deposit Guarantee Corporation (CUDGC), regulator of Saskatchewan credit unions, prescribes capital adequacy measures and minimum capital requirements to ensure the strength of the system as a whole.

Radius Credit Union recognizes the importance and significance of capital management and has worked to ensure strength in this area. In this regard a Capital Plan is approved annually for the purpose of identifying the optimal capital ranges for our credit union and our plans to attain the identified goal. Too much capital would indicate that the credit union is not generating sufficient return on its capital; too little capital restricts the ability to grow and generate returns, it also increases the risk of having insufficient funds to protect against unexpected losses or liquidity needs. The Credit Union relies on profitability to grow its capital position and holds its total capital in retained earnings. Both balance sheet growth and profitability affect the Credit Union's capital ratios. The Credit Union retains a portion of its annual earnings in order to meet its capital objectives.

We manage capital in accordance with our capital management plan and board approved capital policies with a goal to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans and signal financial strength. The capital plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board of Directors. Risks are assessed










annually through our Risk Management process as well our portfolio is stress tested quarterly. Regular reporting to the Board of Directors and the regulator are monitored through our audit process.

Changes in capital are due to the growth in assets as well as the increase in our loan portfolio. Radius Credit Union has historically focused on traditional financial services and managed a moderate level of risk in its loan and investment portfolio. The dollars in retained earnings have increased by just under \$2.0 Million; however, considering the 14.00% overall growth in assets combined with the 3.99% growth in loans the capital percentages have reduced slightly. The Common Tier 1 Equity at the end of the year was 12.05% compared to 12.17% in 2019. Risk Weighted Capital was 13.38% compared to 13.60% in the prior year; and the Capital Leverage Ratio has increased slightly from 7.01% to 7.44% at the end of 2020.

The Capital Plan outlines strategies to ensure the minimum target levels are met. There are several key measures of capital which value both the amount and the quality of capital holdings. Radius Credit Union met all regulatory requirements in 2020.

MARKET CODE

Radius Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan Credit Unions, SaskCentral and Deposit Guarantee Corporation to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

-  Complaint handling, which outlines the process for dealing with all complaints regarding our services to you and our product lines
-  Fair sales by outlining the roles and relationship of staff to all members in accordance with the financial services agreement
-  Financial planning process to advise members on the risks and benefits associated with financial planning services
-  Privacy to protect the interests of those who do business with Radius Credit Union. Privacy is the practice of ensuring all member information is kept confidential and used only for the purpose for which it was gathered
-  Professional standards to preserve a positive image of Radius Credit Union among members and communities
-  Financial reporting to adhere to business and industry standards
-  Capital management to ensure our capital structure aligns with our risk philosophy
-  Governance practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by our membership
-  Risk management to ensure all risks are measured and managed in an acceptable fashion

PRIVACY CODE

Credit unions in Canada have a long history of respecting the privacy of their members. As a co-operative financial institution, we are committed to developing policies, procedures and service offerings that address privacy concerns. We continue to protect your privacy and your right to control the collection, use and disclosure of your personal information. We have procedures in place that guide our employees and directors in maintaining confidentiality.

We are committed to keeping your personal information accurate, confidential, secure and private. Your credit union board of directors has adopted the Credit Union Code for the Protection of Personal Information. Our employees understand the importance of this Privacy Code based on ten interrelated principals of accountability, identifying purposes, consent, limiting collection, limiting use, disclosure, retention, accuracy, safeguards, openness, individual access, and compliance and follow them carefully.

Our Management Team & Staff

It is through our employees that we are able to build an organization that offers strong financial products and service with competency, courtesy and concern for you, our members.

Radius Credit Union has an experienced management team. Executive Management is responsible to oversee the operations of the credit union within the context of strategies and policies approved by the Board, and for developing processes that identify, measure, monitor and control risks.

Our Executive Management team consists of four positions:

- Chief Executive Officer (CEO) – Ted Struthers – responsible for the oversight of all areas of the operation, reports monthly to the board of directors and annually to the members at the AGM. Ted fills this position with 40 years of experience.
- Chief Finance & Risk Officer (CFO/CRO) – Ann Favreau – responsible for finance, risk management, compliance & technology functions. Ann fills this position with 37 years of experience and a Master's degree through St. Mary's University, Master of Management Cooperatives and Credit Unions (MMCCU).
- Manager of Governance & Communications – Kimberley Olfert– responsible for governance, communications, human resources and organizational development. Kimberley fills this position with 23 years of experience and a Bachelor of Commerce from the University of Saskatchewan.
- Manager of Retail Operations - This position is currently vacant.

We continue to seek ways to make service delivery seamless for members and offer the services in the methods you want. The department managers report to the CEO who in turn reports to the Board of Directors. The entire staff team listed here:

Name	Position	Years of CU Service
ADMINISTRATION		
Ted Struthers	Chief Executive Officer (CEO)	40
Ann Favreau	Chief Finance & Risk Officer	37
Kimberley Olfert	Manager of Governance & Communications	23
Lorna Lillejord	Administrative Assistant	32
Michelle Leonard	HR & Marketing Coordinator	8
Carri Henheffer	Loan Clerk	15
Denise Kaufmann	Loan Clerk	10
Larry Lillejord	Technology Consultant	48
Colleen Stopanski	Information Technology Support	1
Kayla Dale	Marketing Specialist	1

Name	Position	Years of CU Service
AVONLEA BRANCH		
Denise Mohr	Lending Service Representative	5
Darcy Hill	Lending Service Representative	1
Dianna Weed	Member Service Representative	13
Heather Wood	Member Service Representative	1
CEYLON BRANCH		
Cheryl Rowland	Lending Service Representative	26
Garnet Hoffart	Lending Service Representative	16
Jeannie Scott	Member Service Representative	6
OGEMA BRANCH		
Travis Leonard	Business Development Manager (Ogema, Pangman & Avonlea)	12
Cheryl Dixon	Lending Service Representative	10
Cindy Bakus	Lending Service Representative	<1
Meagan Metke	Member Service Supervisor	9
Cara Olafson	Member Service Representative	5
Jaime Roncin	Member Service Representative	3
Donna McMullan	Member Service Representative	1
Katie MacDonald	Member Service Representative	1
Kathy Nagy	Statement Services	21
PANGMAN BRANCH		
Lindsay Johnson	Member Service Representative	3 (leave)
Erin Kessler	Member Service Representative	12
Jacquie Mallory	Member Service Representative	2
RADVILE BRANCH		
Roxanne Wiles	Business Development Manager	32
Sandra Scott	Manager of Wealth & Investment Services	40
Emile Mazenc	Lending Service Representative	43
Charmaine Wudrick	Lending Service Representative	4
Hailey Lemay	Lending Service Representative	9
Brenna Scott	Member Service Supervisor	8
Candace Schindel	Member Service Representative	12
Taylor Kaufmann	Member Service Representative	8
Courtney Lanouette	Member Service Representative	1

Name	Position	Years of CU Service
TORQUAY BRANCH		
Adele Terrett	Business Development Manager	13
Pamela Groshong	Lending Service Representative	16
Sherry Hansen	Member Service Representative	7
Jessica Young	Member Service Representative	3
Shannon Hilker	Member Service Representative	2
TRIBUNE BRANCH		
Dianne Chapman	Business Development Manager	41
Velvette Suteau	Lending Service Representative	13
Roseanna Stendall	Member Service Representative	8
Sarah Peters	Member Service Representative	3
Nicki Berg	Member Service Representative	18



Corporate Social Responsibility

As part of our mandate of working together to build better communities the credit union has maintained a local presence, engaged in environmentally friendly initiatives, contributed to various organizations and been involved in various events as listed below. In 2020, our donations and contributions, as well as volunteer time was significantly lower than previous years. Due to the ongoing pandemic the opportunity to support groups and events was limited.

Local presence:

- ✓ The credit union has physical branches located in Avonlea, Ceylon, Ogema, Pangman, Radville, Torquay and Tribune.
- ✓ We have employed 55 local people; this contributed \$3,160,772 in payroll to our local communities.
- ✓ Our staff and our board commit many hours of their own time to local government, service clubs, sports teams, churches and committees; many are in executive positions with these organizations. Our staff contributed over 1,300 hours of volunteer time into our local communities and many more to our extended communities.

Environmental Initiatives:

- ✓ We recycled our cans and bottles and donated the proceeds to Minor Ball, Minor Hockey and the local Libraries
- ✓ We have moved towards a paperless retention system where possible and work towards reducing our footprint on the environment.
- ✓ Energy efficient lighting and heating are being utilized where possible.

Donations and Contributions:

- ✓ Over the past year Radius Credit Union made cash and prize donations totaling over \$24,000.
- ✓ Three post-secondary scholarships of \$1,000 each awarded to local graduates
- ✓ The following is a list of the clubs, organizations and events that have benefited over the past year:

- ✓ Canadian Cancer Society
- ✓ High School Scholarships
- ✓ Telemiracle
- ✓ Community Calendars
- ✓ Local hockey rinks, teams and tournaments
- ✓ Avonlea Community Fundraiser
- ✓ Local schools/school groups
- ✓ Local Daycare committees
- ✓ Seniors Centers/clubs
- ✓ Golf Tournaments & Clubs
- ✓ Dance Clubs
- ✓ Minor Ball
- ✓ Royal Canadian Legion local branches
- ✓ Skating Clubs
- ✓ Local Regional Parks
- ✓ Local Recreational Committees
- ✓ Deep South Super League
- ✓ Numerous Curling Bonspiels & Clubs
- ✓ Local Regional Libraries
- ✓ Borderland Music Festival
- ✓ Local Agriculture Societies
- ✓ CU's Sask Young Leaders
- ✓ Local 4H groups
- ✓ Deep South Personal Care Home
- ✓ Local Swimming Pools
- ✓ Local Second Hand Stores
- ✓ Torquay Community Center
- ✓ Rink Boards
- ✓ Dr. Brown Memorial Fundraiser
- ✓ Fishing Derbies
- ✓ Meals on Wheels
- ✓ Town Councils
- ✓ Numerous community clubs, boards & organizations
- ✓ PLUS various other donor & volunteer recipients

2020 COMMUNITY EVENTS

Adaptability was the word of the year for 2020 when it came to community events. It comes as no surprise that most of our usual community events had to be put on hold due to restrictions. Our newly created social media pages helped us stay in contact with our members when in-person gatherings were not an option.

We're excited to gather again when it's safe to do so, but here are a few photos from 2020.

MEALS IN THE FIELD AT THE RODGER FARM IN AVONLEA



One lucky member made a donation & won a TELEMIRACLE TEDDY



WE SHARED A PIECE OF THE "PIE" WITH OUR MEMBERS ON PATRONAGE DAY!



MEALS IN THE FIELD AT HINGTGEN FARMS



Monica Doud was the winner of a "Secret Santa" present in the Radville Branch. In the month of December, she is also spreading kindness by donating socks, mitts, etc to the Salvation Army. Congrats Monica!



PANGMAN MEALS IN THE FIELD. CHINESE FOOD FOR METKE FARMS



Our light-hearted introduction to Social Media.



Nomination Committee Report

The Nomination Committee for 2020 was Brenda Mazer, Ken Bourassa, Tim Forer and Rick Williams. The purpose of the Nomination Committee is to oversee the annual nomination and election of directors for the Radius Credit Union. The Committee's role is to ensure there are sufficient qualified nominees to fill each vacancy on the board.

There are three terms expiring in April 2021, namely Keith Bacon, Mark Mellon and Blair Kotz who had a one-year term last year in order to help balance the number of renewing terms on an annual basis. All directors agreed to let their names stand for another term and since no further nominations were received, all directors were re-elected by acclamation for three-year terms.

Name in Full	Place of Residence	Expiry of Term
Tim Forer	Avonlea, SK (D1)	2023
Brenda Mazer	Ogema, SK (D1)	2023
Gloria Kirkpatrick	Avonlea, SK (D1)	2022
Mark Mellon	Ogema, SK (D1)	2024
Keith Bacon	Ogema, SK (D1)	2024
Ken Bourassa	Radville, SK (D2)	2023
Blair Kotz	Radville, SK (D2)	2024
Raymond Barbarin	Radville, SK (D2)	2022
Rob Vermeulen	Radville, SK (D2)	2022
Steven Berg	Bromhead, SK (D3)	2022
Rick Williams	Tribune, SK (D3)	2023

Brenda Mazer, Chairman
Nominating Committee

Audit Committee Report

The Audit Committee for 2020 was Blair Kotz, Brenda Mazer, Rick Williams and Ken Bourassa. Rob Vermeulen attends all ARCO meetings as an observer in order to better our succession plan for this committee.

The Audit Committee's purpose is to ensure an independent review of the credit union's operation in the areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to *The Credit Union Act, 1998* and our policies.

The committee directs, reviews and approves the letter of engagement for the external auditor (MNP) and internal audit (SaskCentral), annual audit fees, audit plans and scope of the audits before the auditors commence work for the current year. The committee reviews the performance of the internal and external auditors and makes a recommendation to the Board of Directors and the membership at the Annual General Meeting on the appointment of the external auditor for the ensuing year.

MNP (External Audit) and SaskCentral (Internal Audit) have all acknowledged that Radius Credit Union meets or exceeds the audit results for credit unions of similar size.

The audit committee was pleased with the reporting provided by MNP for the 2020 year. The committee would recommend to the membership that we appoint MNP as our auditors for the 2021 fiscal year.

Blair Kotz, Chairman
Audit Committee





CREDIT UNION DEPOSIT GUARANTEE CORPORATION

ANNUAL REPORT MESSAGE 2020

January 2021

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions. The Corporation is also the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or "PRFIs". The Corporation is mandated through provincial legislation, The Credit Union Act, 1998 and The Credit Union Central of Saskatchewan Act, 2016 in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation's responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at www.cudgc.sk.ca.

QUICK FACTS

(AS OF DECEMBER 31, 2020, UNLESS OTHERWISE INDICATED)

CREDIT UNION COUNT

Today there are 36 credit unions in Saskatchewan serving 208 communities through 234 service outlets.



SASKATCHEWAN ASSETS

Saskatchewan credit union assets reached over \$26.5 billion with revenue of over \$1.04 billion.

BOARD MEMBERS

There are 349 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.



FULL GUARANTEE

Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention.



LENDING AMOUNTS

Credit union lending amounts were over \$19.3 billion.



VISIT OUR

QUICK FACTS

(AS OF DECEMBER 31, 2020, UNLESS OTHERWISE INDICATED)



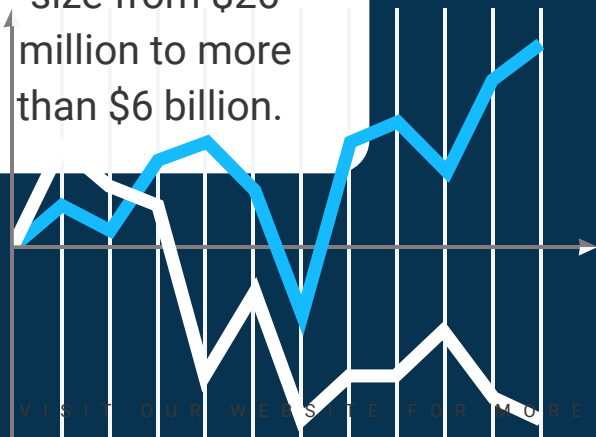
PATRONAGE EQUITY

In 2020, Saskatchewan credit unions returned over \$6.07 million to their members in the form of patronage equity contribution and dividends.

ASSET SIZE

As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs.

Saskatchewan credit unions range in asset size from \$26 million to more than \$6 billion.



ECONOMY

Credit unions are a major contributor to Saskatchewan's economy, employing over 3,200 people.



MEMBER COUNT

Credit unions offer financial products and services to more than 486,000 members.



VISIT OUR WEBSITE FOR MORE

Radius Credit Union Limited
Financial Statements
December 31, 2020

Radius Credit Union Limited
Contents

For the year ended December 31, 2020

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Management's Responsibility

To the Members of Radius Credit Union Limited:

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit and Risk Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit and Risk Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 22, 2021



Chief Executive Officer

Independent Auditor's Report

To the Members of Radius Credit Union Limited:

Opinion

We have audited the financial statements of Radius Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the 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.

Independent Auditor's Report *(Continued)*

- 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.

Regina, Saskatchewan

March 22, 2021

The logo for MNP LLP, featuring the letters 'MNP' in a large, stylized, handwritten-style font, with 'LLP' in a smaller, sans-serif font to the right.

Chartered Professional Accountants

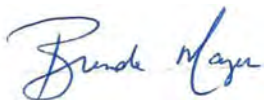
Radius Credit Union Limited

Statement of Financial Position

As at December 31, 2020

	2020	2019
Assets		
Cash and cash equivalents (Note 5)	31,665,387	26,023,826
Investments (Note 6)	153,810,164	115,935,078
Member loans receivable (Note 7)	244,202,574	234,842,301
Other assets (Note 8)	719,412	628,699
Property and equipment (Note 9)	1,198,364	1,177,946
	431,595,901	378,607,850
Liabilities		
Member deposits (Note 11)	400,723,683	349,640,413
Current tax payable	97,997	69,759
Other liabilities (Note 12)	363,428	483,810
Membership shares and equity accounts (Note 14)	2,449,796	2,434,613
	403,634,904	352,628,595
Commitments (Note 18), (Note 21)		
Members' equity		
Retained earnings	23,977,455	21,995,713
Contributed surplus	3,983,542	3,983,542
	27,960,997	25,979,255
	431,595,901	378,607,850

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Radius Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2020

	2020	2019
Interest income		
Member loans	9,713,444	9,874,521
Investments	2,867,053	2,709,004
	12,580,497	12,583,525
Interest expense		
Member deposits	4,797,373	4,755,761
Borrowed money	3,023	5,662
	4,800,396	4,761,423
Gross financial margin	7,780,101	7,822,102
Other income	1,131,173	1,324,181
	8,911,274	9,146,283
Operating expenses		
Administration	1,539,916	1,690,396
Member security	326,814	302,637
Occupancy	246,428	227,761
Organizational	74,029	114,754
Personnel	3,517,786	3,390,545
	5,704,973	5,726,093
Income before provision for impaired loans, patronage refund, and provision for (recovery of) income taxes	3,206,301	3,420,190
Provision for impaired loans (Note 7)	463,708	885,608
Patronage refund (Note 15)	60,000	82,750
Income before provision for (recovery of) income taxes	2,682,593	2,451,832
Provision for (recovery of) income taxes (Note 13)		
Current	697,185	582,855
Deferred	3,666	(9,176)
	700,851	573,679
Comprehensive income	1,981,742	1,878,153

The accompanying notes are an integral part of these financial statements

Radius Credit Union Limited
Statement of Changes in Members' Equity
For the year ended December 31, 2020

	<i>Contributed surplus</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2018	3,983,542	20,117,560	24,101,102
Comprehensive income	-	1,878,153	1,878,153
Balance December 31, 2019	3,983,542	21,995,713	25,979,255
Comprehensive income	-	1,981,742	1,981,742
Balance December 31, 2020	3,983,542	23,977,455	27,960,997

The accompanying notes are an integral part of these financial statements

Radius Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	9,770,590	9,735,100
Interest and dividends received from investments	2,852,343	2,546,773
Other income received	1,131,173	1,262,677
Payments to suppliers and employees	(5,772,967)	(5,550,332)
Interest paid on deposits	(4,854,165)	(4,323,517)
Interest paid on borrowed money	(3,023)	(5,662)
Income taxes paid	(668,947)	(647,944)
	2,455,004	3,017,095
Financing activities		
Net change in member deposits	51,140,063	24,646,710
Net change in membership shares and equity accounts	15,183	38,443
Patronage paid out	(60,000)	(82,750)
	51,095,246	24,602,403
Investing activities		
Net change in member loans receivable	(9,881,127)	(5,789,177)
Purchases of property and equipment (Note 9)	(167,187)	(219,185)
Proceeds from disposal of property and equipment	-	96,714
Net change in investments	(37,860,375)	(17,085,872)
	(47,908,689)	(22,997,520)
Increase in cash and cash equivalents	5,641,561	4,621,978
Cash and cash equivalents, beginning of year	26,023,826	21,401,848
Cash and cash equivalents, end of year	31,665,387	26,023,826

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Radius Credit Union Limited (the "Credit Union") was formed pursuant to the *Credit Union Act, 1998* of Saskatchewan ("the Act") and operates seven Credit Union branches.

The Credit Union serves members and non-members in Ogema, Radville, Ceylon, Avonlea, Pangman, Torquay, and Tribune, Saskatchewan and their surrounding communities. The address of the Credit Union's registered office is 313 Main Street, Ogema, Saskatchewan.

The Credit Union operates principally in personal and commercial banking in Saskatchewan. Operating branches are similar in terms of products and services provided, methods used to distribute products and services, types of members and the nature of the regulatory environment.

The Credit Union conducts its principal operations through various branches, offering products and services including deposit business, individual lending, and independent business and commercial lending. The deposit business provides a wide range of deposit and investment products and sundry financial services to all members. The lending business provides a variety of credit products and services designed specifically for each particular group of borrowers. Other business comprises business of a corporate nature such as investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors and authorized for issue on March 22, 2021.

2. Change in accounting policies

Standards and Interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2020. Adoption of these amendments had no effect on the Credit Union's financial statements.

- *IAS 1 Presentation of Financial Statements*
- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

3. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in comprehensive income in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Basis of preparation *(Continued from previous page)*

COVID-19 Pandemic considerations

The Canadian economy has experienced significant disruption and market volatility related to the ongoing global COVID-19 pandemic. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of COVID-19, as well as government economic response and support efforts. The COVID-19 pandemic continues to evolve and the economic environment in which the Credit Union operates continues to be subject to sustained volatility, which could continue to negatively impact the Credit Union's financial results, as the duration of the COVID-19 pandemic and the effectiveness of steps undertaken by governments and central banks in response to the COVID-19 pandemic remain uncertain. Results across all branches have been and continue to be impacted by the downstream implications from the changes in the macroeconomic environment, including lower interest rates, modest consumer spending relative to pre-pandemic levels, fluctuations in credit spreads, and changes in operating costs. To provide immediate and long-term relief for members impacted by the COVID-19 pandemic the Credit Union has offered payment deferrals, the majority of which have come to an end, however a few extend past year-end. Existing deferrals were provided on a case by case basis.

The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Credit Union's results is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates. The estimate most impacted by the pandemic is the measurement of the allowance for expected credit losses. Provisions for credit losses are slightly elevated, principally owing to the uncertain economic outlook. Information on significant judgments impacted by the COVID-19 pandemic that have the most significant effect on the amounts recognized in the financial statements is described in Note 18 *Financial Instruments*.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates and other economic circumstances
- Declining revenues, working capital deficiencies, increases in statement of financial position leverage and liquidity
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options and demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes

3. Basis of preparation *(Continued from previous page)*

- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money
- Effects of the pandemic on specific sectors to which the Credit Union has credit exposures

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to value ratios
- Housing price indicators

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its SaskCentral and Concentra Bank shares approximate its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold, and new shares are issued at par value of all currently held shares.

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material. Further details are in Note 13.

Useful lives of property and equipment

Estimates must be utilized in evaluating the useful lives of all property and equipment for calculation of the depreciation for each class of assets. For further discussion of the estimation of useful lives, refer to the heading property and equipment contained in Note 4.

Impairment of financial assets

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 *Financial Instruments*. For more information, refer to Note 18.

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

3. Basis of preparation *(Continued from previous page)*

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in comprehensive income for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in comprehensive income.

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

Service charge fees, commissions, and other revenue

The Credit Union generates revenue from providing financial services to its members. Revenue is recognized as services are rendered.

The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold.

The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 is included in the financial instruments section of Note 4.

4. Summary of significant accounting policies *(Continued from previous page)*

Financial instruments

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash equivalents, SaskCentral liquidity and Concentra Bank term deposits, portfolio bonds, member loans receivable and accrued interest thereon, and accounts receivable balances.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of SaskCentral shares, Concentra Bank shares, and other equity investments.

Refer to Note 18 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

4. Summary of significant accounting policies *(Continued from previous page)*

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments, as well as lease receivables, contract assets, and any financial guarantee contracts and loan commitments not measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For member loans receivable, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union applies the simplified approach for accounts receivable. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules, etc. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets;
- For loan commitments and financial guarantee contracts, as a provision; and
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

4. Summary of significant accounting policies *(Continued from previous page)*

Refer to Note 18 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

The Credit Union applies its accounting policies for the derecognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for the derecognition of a financial asset to the entirety of a financial asset.

The Credit Union derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset; or
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union derecognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss. Such transactions include syndication transactions resulting in transfers qualifying for derecognition.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union's derecognition policy.

When the modifications do not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

4. Summary of significant accounting policies *(Continued from previous page)*

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

The Credit Union derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Derivatives

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognized in profit or loss.

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Credit Union has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

4. Summary of significant accounting policies *(Continued from previous page)*

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, derecognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

SaskCentral and Concentra Bank deposits and shares

SaskCentral and Concentra Bank deposits are measured at amortized cost. SaskCentral shares and Concentra Bank shares are measured at fair value, with adjustments to fair value recognized in profit or loss.

Portfolio investments

Portfolio bonds are measured at amortized cost. Investments in other equity investments are measured at fair value, with adjustments recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

4. Summary of significant accounting policies *(Continued from previous page)*

Syndication

The Credit Union syndicates individual assets with various other financial institutions primarily to manage credit risk, create liquidity and manage regulatory capital for the Credit Union. Syndicated loans transfer substantially all the risks and rewards related to the transferred financial assets and are derecognized from the Credit Union's statement of financial position. All loans syndicated by the Credit Union are on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets.

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and fair value less costs to sell. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less costs to sell. Foreclosed assets are recorded in member loans receivable.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use.

The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Rate
Buildings	4 - 10 %
Computer software	25 - 33 %
Furniture and equipment	10 - 33 %

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current and deferred taxes are recognized in comprehensive income except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination. Under this method, the provision for income taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

4. Summary of significant accounting policies *(Continued from previous page)*

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Leases

The Credit Union assesses at inception of a contract, whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4. Summary of significant accounting policies *(Continued from previous page)*

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term and low value leases. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of \$5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Government grants

The Credit Union recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The Credit Union recognizes government assistance as other income.

Employee benefits

The Credit Union's post employment benefit programs consist of a defined contribution plan.

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of \$197,272 (2019 – \$175,274) were paid to the defined contribution retirement plan during the year.

Membership shares and equity accounts

Membership shares and equity accounts are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2020 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

IAS 16 Property, Plant, and Equipment

Amendments to IAS 16, issued in May 2020, prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss.

The amendments are effective for annual periods beginning or after January 1, 2022. The Credit Union has not yet determined the impact of these amendments on its financial statements.

IAS 37 Provisions, Contingent Liabilities, and Contingent Assets

Amendments to IAS 37, issued in May 2020, specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

The amendments are effective for annual periods beginning on or after January 1, 2022. The Credit Union has not yet determined the impact of these amendments on its financial statements.

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5. Cash and cash equivalents

	2020	2019
Cash	9,884,189	7,056,313
Cash equivalents	21,781,198	18,967,513
	31,665,387	26,023,826

6. Investments

	2020	2019
Measured at amortized cost		
SaskCentral liquidity and Concentra Bank term deposits	81,084,903	67,845,769
Portfolio bonds	67,056,540	42,535,299
Accrued interest	695,208	680,497
	148,836,651	111,061,565
Measured at fair value through profit or loss		
Concentra Bank shares	1,500,000	1,500,000
SaskCentral shares	3,252,791	3,252,791
Other equity investments	209,191	109,191
Accrued interest	11,531	11,531
	4,973,513	4,873,513
Total	153,810,164	115,935,078

The table below shows the credit risk exposure on investments, excluding liquidity reserves and balances on deposit with SaskCentral and Concentra Bank. Ratings are as provided by Dominion Bond Rating Services ("DBRS") unless otherwise indicated.

	2020	2019
Investment portfolio rating		
AA	34,293,809	24,240,891
A	11,075,931	15,724,669
BB	3,591,673	-
BBB	19,595,127	4,069,739
R1	3,252,791	3,252,791
Unrated	209,191	109,191
	72,018,522	47,397,281

SaskCentral shares are included in the R1 category above and Concentra Bank shares are included in the A category above.

Statutory liquidity

Pursuant to Regulations, SaskCentral requires that the Credit Union maintain 10% of its total liabilities in specified liquidity deposits. The provincial regulator for Credit Unions, Credit Union Deposit Guarantee Corporation ("CUDGC"), requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2020 the Credit Union met the requirement.

6. Investments *(Continued from previous page)*

Liquidity coverage ratio

The Credit Union has implemented a liquidity coverage ratio ("LCR") which is a regulatory requirement of CUDGC. The objective of the LCR is to ensure that the Credit Union has an adequate stock of unencumbered high-quality liquid assets ("HQLA") that:

- consists of cash or assets that can be converted into cash at little or no loss of value; and
- meets its liquidity needs for a 30-calendar day stress scenario, by which time it is assumed corrective actions have been taken by the Credit Union and/or CUDGC.

This stress scenario noted above is viewed as a minimum requirement. The Credit Union conducts additional stress tests to assess the level of liquidity to hold beyond the regulatory minimum, and constructs scenarios that could cause difficulties for specific business activities. Internal stress tests have longer time horizons and results are reported to CUDGC upon request. The LCR is calculated as the value of the stock in HQLA in stressed conditions divided by the total net cash outflows over the next 30 calendar days.

As at December 31, 2020, the Credit Union is in compliance with regulatory requirements.

7. Member loans receivable

Principal and allowance by loan type:

					2020
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Government guaranteed	26,736,079	-	-	-	26,736,079
Conventional mortgages	148,481,786	576,215	(410,404)	(71,527)	148,576,070
Personal loans	15,428,807	-	-	(26,080)	15,402,727
Non-personal loans	38,035,156	-	-	(511,687)	37,523,469
Leases	13,076,938	-	-	-	13,076,938
	241,758,766	576,215	(410,404)	(609,294)	241,315,283
Foreclosed assets	1,812,148	-	-	-	1,812,148
Accrued interest	1,075,143	6,496	(6,496)	-	1,075,143
Total	244,646,057	582,711	(416,900)	(609,294)	244,202,574

Radius Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2020

7. Member loans receivable *(Continued from previous page)*

				2019	
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Government guaranteed	30,219,954	-	-	-	30,219,954
Conventional mortgages	141,349,553	-	(50,000)	(153,492)	141,146,061
Personal loans	13,759,681	-	(3,500)	(44,101)	13,712,080
Non-personal loans	33,100,450	-	(180,000)	(411,701)	32,508,749
Leases	13,524,288	-	-	-	13,524,288
	231,953,926	-	(233,500)	(609,294)	231,111,132
Foreclosed assets	2,592,380	-	-	-	2,592,380
Accrued interest	1,138,789	-	-	-	1,138,789
Total	235,685,095	-	(233,500)	(609,294)	234,842,301

The allowance for loan impairment changed as follows:

	2020	2019
Balance, beginning of year	842,794	609,294
Provision for impaired loans	463,708	885,608
	1,306,502	1,494,902
Accounts written off, net of recoveries	280,308	652,108
Balance, end of year	1,026,194	842,794

8. Other assets

	2020	2019
Accounts receivable	460,147	390,290
Prepaid expenses and deposits	222,090	197,568
Deferred tax asset (Note 13)	37,175	40,841
	719,412	628,699

Radius Credit Union Limited
Notes to the Financial Statements
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9. Property and equipment

	<i>Land</i>	<i>Buildings</i>	<i>Computer software</i>	<i>Furniture and equipment</i>	<i>Total</i>
Cost					
Balance at December 31, 2018	39,487	2,411,491	1,043,569	1,132,846	4,627,393
Additions	-	83,033	11,232	124,920	219,185
Disposals	-	(52,282)	-	(130,971)	(183,253)
Balance at December 31, 2019	39,487	2,442,242	1,054,801	1,126,795	4,663,325
Additions	-	12,016	55,439	99,732	167,187
Balance at December 31, 2020	39,487	2,454,258	1,110,240	1,226,527	4,830,512
Accumulated depreciation					
Balance at December 31, 2018	-	1,653,794	870,586	930,243	3,454,623
Depreciation	-	51,055	69,297	58,448	178,800
Disposals	-	(17,073)	-	(130,971)	(148,044)
Balance at December 31, 2019	-	1,687,776	939,883	857,720	3,485,379
Depreciation	-	50,510	36,901	59,358	146,769
Balance at December 31, 2020	-	1,738,286	976,784	917,078	3,632,148
Net book value					
At December 31, 2019	39,487	754,466	114,918	269,075	1,177,946
At December 31, 2020	39,487	715,972	133,456	309,449	1,198,364

10. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at SaskCentral's prime minus 0.5% (2019 - prime minus 0.5%) in the amount of \$7,500,000 (2019 - \$6,800,000) from SaskCentral. At December 31, 2020, the Credit Union has utilized \$nil (2019 - \$nil) of its line of credit.

Borrowings are secured by an assignment of book debts, financial services agreement, and an operating account agreement.

11. Member deposits

	2020	2019
Chequing, Savings, Plan 24	192,401,717	165,912,661
Term deposits	179,995,619	155,972,383
Registered savings plans	26,025,245	25,397,475
Accrued interest	2,301,102	2,357,894
	400,723,683	349,640,413

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are due on demand and bear interest at rates up to 1.15% (2019 - 1.25%).
- Registered savings plans are subject to fixed and variable rates of interest up to 2.50% (2019 - 3.15%), with interest payments due monthly, annually or on maturity.

Radius Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2020

11. Member deposits *(Continued from previous page)*

- Term deposits are subject to fixed and variable rates of interest up to 2.50% (2019 - 3.15%), with interest payments due monthly, annually or on maturity.

12. Other liabilities

	2020	2019
Accounts payable	363,428	483,810

13. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate 15% (2019 - 15%), and the provincial tax rate of 12% (2019 - 12%), subject to the credit union deduction.

Deferred tax expense (recovery) recognized in comprehensive income

The deferred tax expense (recovery) recognized in comprehensive income for the current year is a result of the following changes:

	2020	2019
Deferred tax asset		
Property and equipment	9,468	18,085
Allowance for impaired loans	27,707	22,756
Deferred tax asset	37,175	40,841

Reconciliation between average effective tax rate and the applicable tax rate

	2020	2019
Applicable tax rate	27.00 %	27.00 %
Reduction for Credit Unions	- %	(2.50)%
Non-taxable and other items	(0.87)%	(1.10)%
Average effective tax rate (tax expense divided by profit before tax)	26.13 %	23.40 %

Radius Credit Union Limited
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14. Membership shares and equity accounts

Authorized:

Unlimited number of Common shares, at an issue price of \$5.
 Unlimited number of Equity shares, at an issue price of \$1.

Issued:

	2020	2019
4,105 Common shares (2019 - 4,095)	20,525	20,475
2,429,271 Equity shares (2019 - 2,414,138)	2,429,271	2,414,138
Total	2,449,796	2,434,613

All common shares and equity accounts are classified as liabilities.

When an individual becomes a member of the Credit Union, they are issued a common share at \$5 per share. Equity accounts are established as a means of returning excess earnings to the members while maintaining the Credit Union's equity base. Each member of the Credit Union has one vote, regardless of the number of common shares held.

During the year, the Credit Union issued 168 (2019 - 198) and redeemed 158 (2019 - 202) shares, and also issued 141,936 (2019 - 311,256) and redeemed 126,803 (2019 - 272,793) equity shares.

15. Patronage

The Board of Directors authorized a patronage refund of \$60,000 (2019 - \$82,750) as at December 31, 2020. The patronage refund approved by the Board of Directors was based on a percentage of the equity accounts held by each member during the fiscal year.

The patronage refund has been reflected in the statement of financial position as membership shares and equity accounts with related tax savings of approximately \$16,200 (2019 - \$20,274) being reflected in the provision for income taxes.

16. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the CEO, CFO/CRO, Manager of Governance and Communications, Manager of Retail Operations, and members of the Board of Directors.

KMP remuneration includes the following expenses:

	2020	2019
Salaries and short-term benefits	803,356	765,509
Other long-term benefits	46,955	44,300
Total remuneration	850,311	809,809

Transactions with key management personnel

The Credit Union, in accordance with its policy, may grant credit to its directors, management and staff at concessional rates of interest on their loans and facilities.

Loans made to KMP are approved under the same lending criteria applicable to members and are included in member loans on the statement of financial position. There are no loans to KMP that are impaired.

Radius Credit Union Limited
Notes to the Financial Statements
For the year ended December 31, 2020

16. Related party transactions *(Continued from previous page)*

Directors, management and staff of the Credit Union hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members, and are included in deposit accounts on the statement of financial position.

There are no benefits or concessional terms and conditions applicable to the family members of KMP.

These loans and deposits were made in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

	2020	2019
Aggregate loans to KMP	6,461,956	6,140,848
The total value of revolving credit facilities to KMP	981,000	980,500
Less: Approved and undrawn lines of credit	(356,138)	(417,538)
Less: membership shares and equity accounts	(85,526)	(59,226)
	7,001,292	6,644,584

During the year the aggregate value of loans approved to KMP amounted to:

Line of credit	1,000	-
Mortgages	120,000	442,500
Loans	1,119,832	552,595
	1,240,832	995,095

	2020	2019
Income and expense transactions with KMP consisted of:		
Interest and other revenue earned on loans and revolving credit facilities to KMP	205,626	174,467
Total interest paid on deposits to KMP	77,377	67,057
The total value of member deposits from KMP as at the year-end:		
Chequing, Savings, Plan 24	4,737,609	6,976,766
Term deposits	2,198,283	2,065,012
Registered plans	621,263	781,223
Total value of member deposits due to KMP	7,557,155	9,823,001

Directors' fees and expenses

	2020	2019
Honoraria and per diems	24,852	30,888
Reimbursement of expenses	4,464	5,006
Meeting, training and conference costs	14,719	15,612

SaskCentral and Concentra Bank

The Credit Union is a member of SaskCentral, which acts as a depository for surplus funds received from and loans made to credit unions. SaskCentral also provides other services for a fee to the Credit Union and acts in an advisory capacity.

The Credit Union is related to Concentra Bank, which is owned in part by SaskCentral. Concentra Bank provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers.

16. Related party transactions *(Continued from previous page)*

Interest and dividends earned on investments during the year ended December 31, 2020 amounted to \$1,647,854 (2019 - \$2,070,867).

Interest paid on borrowings during the year ended December 31, 2020 amounted to \$3,023 (2019 - \$5,662).

Payments made for affiliation dues, liquidity assessments, research and development assessment, cheque clearing and data processing for the year ended December 31, 2020 amounted to \$638,193 (2019 - \$627,983).

Celero Solutions

The Credit Union has entered into an agreement with Celero Solutions to provide the delivery of banking system services and the maintenance of the infrastructure needed to ensure uninterrupted delivery of such services. Celero Solutions was formed as a joint venture by the Credit Union Centrals of Alberta, Saskatchewan and Manitoba along with Concentra Bank.

17. Capital management

A capital management framework is included in policies and procedures established by the Board of Directors. The Credit Union's objectives when managing capital are to:

- Adhere to regulatory capital requirements as minimum benchmarks;
- Co-ordinate strategic risk management and capital management;
- Develop financial performance targets/budgets/goals;
- Administer a patronage program that is consistent with capital requirements;
- Administer an employee incentive program that is consistent with capital requirements; and
- Develop a growth strategy that is coordinated with capital management requirements.

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC have been based on the Basel III framework, consistent with the financial industry in general.

The Credit Union follows a risk-weighted asset calculation for credit and operational risk. Under this approach, credit unions are required to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the prescribed risk of each type of asset, a weighting of 0% to 1,250% is assigned. The ratio of regulatory capital to risk-weighted assets is calculated and compared to the standard outlined by CUDGC. Regulatory standards require credit unions to maintain a minimum total eligible capital to risk-weighted assets of 8%, a minimum tier 1 capital to risk-weighted assets of 6% and a minimum common equity tier 1 capital to risk-weighted assets of 4.5%. In addition to the minimum capital ratios, the Credit Union is required to hold a capital conservation buffer of 2.5%. The capital conservation buffer is designed to avoid breaches of the minimum capital requirement. Eligible capital consists of total tier 1 and tier 2 capital.

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirements for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital includes retained earnings, contributed surplus and accumulated other comprehensive income ("AOCI"). Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own-use property. Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

Tier 2 capital includes a collective allowance for credit losses to a maximum of 1.25% of risk-weighted assets, subordinated indebtedness, and qualifying membership shares or other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require the Credit Union to maintain a minimum leverage ratio of 5%. This ratio is calculated by dividing eligible capital by total assets less deductions from capital plus specified off-balance sheet exposures. Based on the type of off-balance sheet exposure, a conversion factor is applied to the leverage ratio.

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17. Capital management *(Continued from previous page)*

The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2020:

	Regulatory standards	Board standards (Minimum of target range)
Total eligible capital to risk-weighted assets	10.50 %	12.00 %
Tier 1 capital to risk-weighted assets	8.50 %	12.00 %
Common equity tier 1 capital to risk-weighted assets	7.00 %	12.00 %
Leverage ratio	5.00 %	6.50 %

During the year, the Credit Union complied with all internal and external capital requirements.

The following table summarizes key capital information:

	2020	2019
Eligible capital		
Common equity tier 1 capital	27,960,997	25,979,255
Deductions from tier 1 capital	(133,456)	(114,918)
Total tier 1 capital	27,827,541	25,864,337
Total tier 2 capital	3,059,090	3,043,907
Total eligible capital	30,886,631	28,908,244
Risk-weighted assets		
Total eligible capital to risk-weighted assets	13.38 %	13.60 %
Total tier 1 capital to risk-weighted assets	12.05 %	12.17 %
Common equity tier 1 capital to risk-weighted assets	12.05 %	12.17 %
Leverage ratio	7.01 %	7.44 %

18. Financial instruments

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk and liquidity risk.

Accordingly, the Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows risk management policies approved by its Board of Directors.

The Credit Union's risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Credit Union
- Balance risk and return
- Manage credit, market and liquidity risk through preventative and detective controls
- Ensure credit quality is maintained
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios
- Price according to risk taken, and
- Using consistent credit risk exposure tools.

Various Board of Directors committees are involved in financial instrument risk management oversight, including the Audit and Risk Committee and Conduct Review Committee.

There have been no significant changes from the previous year in the Credit Union's risks to which it is exposed or its general policies and procedures for managing risk.

18. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Credit Union. Credit risk primarily arises from member loans receivable.

Risk management process

Credit risk management is integral to the Credit Union's activities. Management and the Board of Directors are responsible for developing and implementing the credit risk management practices of the Credit Union by establishing the relevant policies and procedures. Management carefully monitors and manages the Credit Union's exposure to credit risk by reviewing member credit extension policies and guidelines and reviewing the performance of loan portfolios, including default events and past due status. The risk management process starts at the time of a member credit application and continues until the loan is fully repaid. The primary credit risk management policies and procedures include the following:

- Loan security (collateral) requirements
 - Security valuation processes, including method used to determine the value of real property and personal property when that property is subject to a mortgage or other charge; and
 - Maximum loan to value ratios where a mortgage or other charge on real or personal property is taken as security
- Borrowing member capacity (repayment ability) requirements
- Borrowing member character requirements
- Limits on aggregate credit exposure per individual and/or related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, access and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes.

The Credit Union's credit risk policies, processes and methodologies are reviewed periodically to ensure they remain relevant and effective in managing credit risk.

To meet the needs of its members and to manage its own exposure to fluctuations in interest rates, the Credit Union participates in various commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. The contractual amounts of these credit instruments represent the maximum credit risk exposure without taking into account the fair value of any collateral, in the event other parties fail to perform their obligations under these instruments.

The Credit Union makes the following instruments available to its members:

- Guarantees and standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit and credit cards), guarantees or letters of credit.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded.

18. Financial instruments *(Continued from previous page)*

As at year-end, the Credit Union had the following outstanding financial instruments subject to credit risk:

	2020	2019
Unadvanced lines of credit	39,869,910	31,949,210
Guarantees and standby letters of credit	120,000	120,000
Commitments to extend credit	9,185,922	6,038,859
	49,175,832	38,108,069

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers member loans to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition. The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers, past due information of its balances and information about the borrower available through regular commercial dealings.

Payment deferrals

In response to the COVID-19 pandemic, the Credit Union considered payment deferral requests from eligible members. The agreement to a payment deferral on its own does not represent a significant increase in credit risk, and the loan does not automatically move from Stage 1 to Stage 2 for IFRS 9 purposes. Facilities with payment deferrals are not considered past due. Loans with deferrals that have moved from Stage 1 to Stage 2 have experienced a significant increase in credit risk due to the adverse shift in economic conditions. In assessing credit risk, the Credit Union monitors the credit quality of impacted borrowers using sound credit risk management practices. The loan modifications due to payment deferrals did not result in any modification gains or losses. Details regarding the number and balance of loans under payment deferral terms within Stages 1 are as follows:

Stage 1 includes 1 loan with total balances outstanding of \$354,090.

18. Financial instruments *(Continued from previous page)*

Measurement of expected credit losses

The Credit Union measures expected credit losses for member loans receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential mortgages, commercial loans/mortgages, agricultural loans/mortgages, consumer loans, and lines of credit). Otherwise, expected credit losses are measured on an individual basis.

When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes complex modelling, which uses current banking system loan data to assess probability of default, exposure at default, loss given default, and present value calculations. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

As indicated in Note 3, COVID-19 and the measures taken by Canadian federal, provincial and municipal governments to limit the spread of COVID-19 have had a material adverse impact on the Canadian economy. To mitigate the economic impact, governments have enacted policy measures to provide economic stimulus and financial support to both individuals and businesses.

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of the COVID-19 pandemic, based on information and facts available at December 31, 2020. The macroeconomic factors that affect the Credit Union expected credit loss ("ECL") calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. The information for these assumptions is based off 2021 economic forecasts. Each factor is forecast in a base case, a best case and a worst case scenario. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses. These assumptions were shocked up and down 10% - 30% in the best and worst case scenarios.

The typical weighting used in the model is 80% base, 10% best and 10% worst case, as the base case is historically the most likely scenario. Due to uncertainties around COVID-19, the weightings chosen at December 31, 2020 were adjusted to 50% base, 10% best, and 40% worst case.

Management had to use judgment in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed to increase or decrease the allowance. The negative effects of the global economic shut down, increased unemployment and depressed oil prices had to be weighed against the more positive aspects of government support programs, government loan programs, loan deferrals, and rent deferrals. At December 31, 2020, management booked an overlay of \$nil.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when they have exhausted all attempts to obtain some of the loan back, including realizing on the security, if any, and disposing of related security. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value. The contractual amount outstanding on financial assets which were written off during the year and continue to be subject to enforcement activity is \$280,308 (2019 – \$652,108).

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

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18. Financial instruments *(Continued from previous page)*

Except as noted below, the gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

<i>in thousands</i>	<i>12-month ECL</i>	<i>2020 Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
Consumer loans and lines of credit				
Low risk	16,630,192	-	-	16,630,192
Medium risk	-	34,243	-	34,243
Default	-	-	171,988	171,988
Total gross carrying amount	16,630,192	34,243	171,988	16,836,423
Less: loss allowance	25,750	329	50,000	76,079
Total carrying amount	16,604,442	33,914	121,988	16,760,344
Residential mortgages and lines of credit				
Low risk	62,589,107	-	-	62,589,107
Medium risk	-	184,551	-	184,551
Default	-	-	279,181	279,181
Total gross carrying amount	62,589,107	184,551	279,181	63,052,839
Less: loss allowance	69,751	1,776	-	71,527
Total carrying amount	62,519,356	182,775	279,181	62,981,312
Commercial loans and lines of credit				
Low risk	81,706,378	-	-	81,706,378
Medium risk	-	-	-	-
Default	-	-	562,140	562,140
Total gross carrying amount	81,706,378	-	562,140	82,268,518
Less: loss allowance	399,923	-	366,900	766,823
Total carrying amount	81,306,455	-	195,240	81,501,695
Agricultural loans and lines of credit				
Low risk	83,908,812	-	-	83,908,812
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	83,908,812	-	-	83,908,812
Less: loss allowance	111,270	-	-	111,270
Total carrying amount	83,797,542	-	-	83,797,542
Local government loans				
Low risk	3,474,350	-	-	3,474,350
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	3,474,350	-	-	3,474,350
Less: loss allowance	495	-	-	495
Total carrying amount	3,473,855	-	-	3,473,855

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18. Financial instruments *(Continued from previous page)*

<i>in thousands</i>	12-month ECL	2020 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
TOTAL				
Low risk	248,308,839	-	-	248,308,839
Medium risk	-	218,794	-	218,794
Default	-	-	1,013,309	1,013,309
Total gross carrying amount	248,308,839	218,794	1,013,309	249,540,942
Less: loss allowance	607,189	2,105	416,900	1,026,194
Total carrying amount	247,701,650	216,689	596,409	248,514,748
	12-month ECL	2019 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Consumer loans and lines of credit				
Low risk	15,283,948	-	-	15,283,948
Medium risk	-	56,999	-	56,999
Default	-	-	28,641	28,641
Total gross carrying amount	15,283,948	56,999	28,641	15,369,588
Less: loss allowance	43,718	382	50,000	94,100
Total carrying amount	15,240,230	56,617	-	15,275,488
Residential mortgages and lines of credit				
Low risk	64,593,487	-	-	64,593,487
Medium risk	-	35,235	-	35,235
Default	-	-	751,074	751,074
Total gross carrying amount	64,593,487	35,235	751,074	65,379,796
Less: loss allowance	153,256	237	3,500	156,993
Total carrying amount	64,440,231	34,998	747,574	65,222,803
Commercial loans and lines of credit				
Low risk	71,037,156	-	-	71,037,156
Medium risk	-	126,568	-	126,568
Default	-	-	722,926	722,926
Total gross carrying amount	71,037,156	126,568	722,926	71,886,650
Less: loss allowance	323,603	2,560	180,000	506,163
Total carrying amount	70,713,553	124,008	542,926	71,380,487

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18. Financial instruments *(Continued from previous page)*

	<i>12-month ECL</i>	<i>Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
Agricultural loans and lines of credit				
Low risk	77,883,770	-	-	77,883,770
Medium risk	-	1,093,593	-	1,093,593
Default	-	-	44,514	44,514
Total gross carrying amount	77,883,770	1,093,593	44,514	79,021,877
Less: loss allowance	79,817	5,721	-	85,538
Total carrying amount	77,803,953	1,087,872	44,514	78,936,339
TOTAL				
Low risk	228,798,361	-	-	228,798,361
Medium risk	-	1,312,394	-	1,312,394
Default	-	-	1,547,155	1,547,155
Total gross carrying amount	228,798,361	1,312,394	1,547,155	231,657,910
Less: loss allowance	600,394	8,900	233,500	842,794
Total carrying amount	228,197,967	1,303,494	1,313,655	230,815,116

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Ogema, Saskatchewan and surrounding areas.

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18. Financial instruments *(Continued from previous page)*

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

	<i>12-month ECL</i>	<i>Lifetime ECL (not credit impaired)</i>	<i>Lifetime ECL (credit impaired)</i>	<i>Total</i>
Consumer loans and lines of credit				
Balance at December 31, 2019	43,718	382	50,000	94,100
Net remeasurement of loss allowance	(17,968)	(53)	-	(18,021)
Balance at December 31, 2020	25,750	329	50,000	76,079
Residential mortgages and lines of credit				
Balance at December 31, 2019	153,256	237	3,500	156,993
Net remeasurement of loss allowance	(83,505)	1,539	(3,500)	(85,466)
Balance at December 31, 2020	69,751	1,776	-	71,527
Commercial loans and lines of credit				
Balance at December 31, 2019	323,603	2,560	180,000	506,163
Net remeasurement of loss allowance	76,320	(2,560)	186,900	260,660
Balance at December 31, 2020	399,923	-	366,900	766,823
Agricultural loans and lines of credit				
Balance at December 31, 2019	79,817	5,721	-	85,538
Net remeasurement of loss allowance	31,453	(5,721)	-	25,732
Balance at December 31, 2020	111,270	-	-	111,270
Local government loans				
Balance at December 31, 2019	-	-	-	-
Net remeasurement of loss allowance	495	-	-	495
Balance at December 31, 2020	495	-	-	495
TOTAL				
Balance at December 31, 2019	600,394	8,900	233,500	842,794
Net remeasurement of loss allowance	6,795	(6,795)	183,400	183,400
Balance at December 31, 2020	607,189	2,105	416,900	1,026,194

Financial instruments for which the impairment requirements of IFRS 9 do not apply

The carrying amount of SaskCentral and Concentra Bank shares best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements on these balances.

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. Market risks that have a significant impact on the Credit Union include fair value risk and interest rate risk.

18. Financial instruments *(Continued from previous page)*

Market risk arises from changes in interest rates that affect the Credit Union's net interest income. Exposure to this risk directly impacts the Credit Union's income from its loan and deposit portfolios. The Credit Union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while meeting member owner needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides quarterly reports on these matters to the Credit Union's Board of Directors.

Objectives, policies and processes

Management is responsible for managing the Credit Union's interest rate risk, monitoring approved limits and compliance with policies. The Credit Union manages market risk by developing and implementing asset and liability management policies, which are approved and periodically reviewed by the Board of Directors.

The Credit Union's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Credit Union's investment and asset liability management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

Interest rate risk

Interest rate risk is the sensitivity of the Credit Union's financial condition to movements in interest rates. Cash flow interest rate risk is the risk that the future cash flows of the Credit Union's financial instruments will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in prevailing market interest rates. Interest margins reported in comprehensive income may increase or decrease in response to changes in market interest rates. The Credit Union incurs interest rate risk on its loans and other interest bearing financial instruments.

In managing interest rate risk, the Credit Union relies primarily upon use of asset - liability and interest rate sensitivity simulation models, which is monitored by the Credit Union. Periodically, the Credit Union may enter into interest rate swaps to adjust the exposure to interest rate risk by modifying the repricing of the Credit Union's financial instruments.

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would decrease net interest income by \$99,000 (2019 - \$125,000) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would increase net interest income by \$99,000 (2019 - \$125,000) over the next 12 months.

Other types of interest rate risk are basis risk (the risk of loss arising from changes in the relationship of interest rates which have similar but not identical characteristic; for example, the difference between prime rates and the Canadian Deposit Offering Rate) and prepayment risk (the risk of loss of interest income arising from the early repayment of fixed rate mortgages and loans), both of which are monitored on a regular basis and are reported to the Board of Directors.

The Credit Union's major source of income is financial margin which is the difference between interest earned on investments and loans to members and interest paid to members on their deposits. The objective of managing the financial margin is to match repricing or maturity dates of loans and investments and member deposits within policy limits. These limits are intended to limit the Credit Union's exposure to changing interest rates and to wide fluctuations of income during periods of changing interest rates. The differential represents the net mismatch between loans and investments and member deposits for those particular maturity dates. Certain items on the statement of financial position, such as non-interest bearing member deposits and equity do not provide interest rate exposure to the Credit Union. These items are reported as non-interest rate sensitive in the table below.

Amounts with variable interest rates, or due on demand, are classified as on demand.

A significant amount of member loans receivable and member deposits can be settled before maturity on payment of a penalty. No adjustment has been made for repayments that may occur prior to maturity.

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18. Financial instruments (Continued from previous page)

Interest rate sensitivity

In the table below, the carrying amounts of financial instruments are presented in the periods in which they next reprice to market rates or mature and are summed to show the net interest rate sensitivity gap.

Contractual repricing and maturity

All financial instruments are reported in the schedule below based on the earlier of their contractual repricing date or maturity date. The schedule below does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

	<i>(In thousands)</i>					2020	2019
	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-Interest Sensitive	Total	Total
Assets							
Cash and cash equivalents	5,581	17,375	-	-	8,709	31,665	26,024
Average yield %	0.18	0.95	-	-	-	0.56	1.29
Accounts receivable	-	-	-	-	460	460	390
Investments	22,889	12,750	44,673	68,412	5,086	153,810	115,935
Average yield %	0.36	1.90	1.27	2.16	-	1.54	2.15
Member loans receivable	48,169	14,379	25,164	155,410	1,081	244,203	234,842
Average yield %	3.80	4.61	4.38	3.86	-	3.93	4.37
	76,639	44,504	69,837	223,822	15,336	430,138	377,191
Liabilities							
Member deposits and accrued interest	106,678	30,175	73,348	115,632	74,891	400,724	349,640
Average yield %	0.35	1.94	1.38	2.37	-	1.17	1.47
Other liabilities	-	-	-	-	363	363	484
Membership shares	-	-	-	-	21	21	20
Member equity accounts	-	-	-	-	2,429	2,429	2,414
	106,678	30,175	73,348	115,632	77,704	403,537	352,558
Balance sheet sensitivity	(30,039)	14,329	(3,511)	108,190	(62,368)	26,601	24,633
Net sensitivity	(30,039)	14,329	(3,511)	108,190	(62,368)	26,601	24,633

18. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity for operating and regulatory purposes. Refer to Note 6 for further information about the Credit Union's regulatory requirements.

Liquidity risk is managed through a three tiered structure consisting of the local Credit Union level, the provincial Credit Union level and the national Credit Union level.

Locally, the Credit Union manages its liquidity position from three perspectives:

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows; and
- Contingent liquidity risk, which assess the impact of sudden stressful events and the Credit Union's responses thereto.

The primary liquidity risk policies and procedures include the following:

- Liquidity risk management framework to measure and control liquidity risk exposure;
- Measurement of cashflows;
- Maintain a line of credit and borrowing facility with SaskCentral;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits; and
- Contingency planning.

Provincially, SaskCentral manages a statutory liquidity pool of marketable investment securities on behalf of Saskatchewan Credit Unions to facilitate clearing and settlement, daily cash flow management and emergency liquidity support. Nationally, credit union centrals are represented by one central which acts as the Group Clearer, Central 1 Credit Union. The Group Clearer is a member of the Canadian Payments Association and pools provincial cash flows to settle with the Bank of Canada.

The following table details contractual maturities of financial liabilities:

As at December 31, 2020:

	<u>(In thousands)</u>			
	< 1 year	1-2 years	> 3 years	Total
Member deposits	285,092	30,356	85,276	400,724
Other liabilities	363	-	-	363
Membership shares and equity accounts	-	-	2,450	2,450
Total	285,455	30,356	87,726	403,537

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Notes to the Financial Statements
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18. Financial instruments *(Continued from previous page)*

As at December 31, 2019:

	<u>(In thousands)</u>			
	< 1 year	1-2 years	> 3 years	Total
Member deposits	231,777	35,629	82,234	349,640
Other liabilities	484	-	-	484
Membership shares and equity accounts	-	-	2,434	2,434
Total	232,261	35,629	84,668	352,558

The Credit Union manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk.

As at December 31, 2020:

	<u>(In thousands)</u>			
	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	31,665	-	-	31,665
Investments	85,398	31,810	36,602	153,810
Member loans receivable	88,793	33,308	122,102	244,203
Accounts receivable	460	-	-	460
Total	206,316	65,118	158,704	430,138

As at December 31, 2019:

	<u>(In thousands)</u>			
	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	26,024	-	-	26,024
Investments	69,180	15,405	31,350	115,935
Member loans receivable	104,822	29,400	100,620	234,842
Accounts receivable	390	-	-	390
Total	200,416	44,805	131,970	377,191

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks from foreign exchange rate fluctuations, the Credit Union maintains foreign cash balances to approximately offset deposits held in foreign funds.

Foreign currency risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant excess foreign currency denominated financial investments for an extended period.

19. Fair value measurements

The Credit Union classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Credit Union to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Credit Union considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the period.

In determining fair value measurements, the Credit Union uses the net present value technique. The Credit Union uses assumptions and estimates in determining actual balances, actual rates, market rates (for similar instruments) and payment frequency.

Financial assets and financial liabilities measured at fair value

The Credit Union's financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

<i>In thousands</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2020 Level 3</i>
Financial assets				
Cash	9,884	9,884	-	-
Other equity investments	209	-	209	-
Concentra Bank shares	1,500	-	-	1,500
SaskCentral shares	3,264	-	-	3,264
Total financial assets	14,857	9,884	209	4,764

<i>In thousands</i>	<i>Fair value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>2019 Level 3</i>
Financial assets				
Cash	7,056	7,056	-	-
Other equity investments	109	-	109	-
Concentra Bank shares	1,500	-	-	1,500
SaskCentral shares	3,264	-	-	3,264
Total financial assets	11,929	7,056	109	4,764

All recurring Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For fair value measurements of Level 3 SaskCentral and Concentra bank shares, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded; however, when new shares are offered, the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year.

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19. Fair value measurement *(Continued from previous page)*

Financial instruments not measured at fair value

The carrying amount, fair value, and categorization into the fair value hierarchy of all other financial assets and financial liabilities held by the Credit Union and not measured at fair value on the statement of financial position are as follows:

	2020				
<i>In thousands</i>	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash equivalents	21,781	21,781	-	21,781	-
Investments	148,837	152,828	-	152,828	-
Member loans receivable	244,203	242,396	-	242,396	-
Accounts receivable	460	460	-	460	-
Total financial assets	415,281	417,465	-	417,465	-
Financial liabilities measured at amortized cost					
Member deposits	400,724	406,740	-	406,740	-
Other liabilities	363	363	-	363	-
Membership shares	21	21	-	-	21
Equity accounts	2,429	2,429	-	-	2,429
Total financial liabilities	403,537	409,553	-	407,103	2,450
					2019
<i>In thousands</i>	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash equivalents	18,968	18,968	-	18,968	-
Investments	111,062	112,138	-	112,138	-
Member loans receivable	234,842	233,815	-	233,815	-
Accounts receivable	390	390	-	390	-
Total financial assets	365,262	365,311	-	365,311	-
Financial liabilities					
Member deposits	349,640	353,586	-	353,586	-
Other liabilities	484	484	-	484	-
Membership shares	20	20	-	-	20
Equity accounts	2,414	2,414	-	-	2,414
Total financial liabilities	352,558	356,504	-	354,070	2,434

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19. Fair value measurement *(Continued from previous page)*

Level 2 and Level 3 fair value measurements for financial instruments not measured at fair value

Valuation techniques and inputs for Level 2 and Level 3 fair value measurements are as follows:

All level 2 fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost.

20. Summary information about financial assets and financial liabilities

The following tables provide a reconciliation between line items in the statement of financial position and the categories of financial instruments.

	As at December 31, 2020		
	Mandatorily at	Amortized	Total carrying
<i>In thousands</i>	FVTPL	cost	amount
Financial assets			
Cash and cash equivalents	9,884	21,781	31,665
Investments	4,973	148,837	153,810
Member loans receivable	-	244,203	244,203
Accounts receivable	-	460	460
Total financial assets	14,857	415,281	430,138
Financial liabilities			
Member deposits	-	400,724	400,724
Other liabilities	-	363	363
Membership shares and equity accounts	-	2,450	2,450
Total financial liabilities	-	403,537	403,537

	As at December 31, 2019		
	Mandatorily at	Amortized cost	Total carrying
<i>In thousands</i>	FVTPL		amount
Financial assets			
Cash and cash equivalents	7,056	18,968	26,024
Investments	4,873	111,062	115,935
Member loans receivable	-	234,842	234,842
Accounts receivable	-	390	390
Total financial assets	11,929	365,262	377,191
Financial liabilities			
Member deposits	-	349,640	349,640
Other liabilities	-	484	484
Membership shares and equity accounts	-	2,434	2,434
Total financial liabilities	-	352,558	352,558

21. Commitments

In 2016, the Credit Union entered into a seven year commitment with an option to automatically renew for an additional three years with Celero for the provision of retail banking services. The annual operating fee is calculated as a percentage of the aggregate fees paid by all Credit Unions using the banking system. The annual operating fees for the year ended December 31, 2020 were \$189,879 (2019 - \$184,584) and recorded as an expense.

In 2019, the Credit Union entered into an agreement to purchase units in the CVC Fund 1 LP. The Credit Union makes advances to the Fund when requested which decreases the commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2020, the Credit Union has advanced \$201,447 (2019 - \$101,447) of their total commitment of \$500,000 to the CVC Fund 1 LP.

22. Other legal and regulatory risk

Legal and regulatory risk is the risk that the Credit Union has not complied with requirements set out in terms of compliance such as standards of sound business practice, anti-money laundering legislation or their code of conduct/conflict of interest requirements. In seeking to manage these risks, the Credit Union has established policies and procedures and monitors to ensure ongoing compliance.

23. Canada Emergency Wage Subsidy ("CEWS")

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualification and application of the CEWS is assessed over multiple four-week application periods. During the year, the Credit Union applied for \$90,590 as part of this subsidy.

24. Canada Emergency Business Account Program

Under the Canada Emergency Business Account ("CEBA") Program, with funding provided by the Government of Canada and Export Development Canada ("EDC") as the Government of Canada's agent, the Credit Union provides loans to its business banking members. In June 2020, eligibility for the CEBA loan program was expanded to include businesses that did not meet the payroll requirements of the initial program but had other eligible non-deferrable expenses. Under the CEBA Program, eligible businesses receive a \$60,000 interest-free loan until December 31, 2022. If \$40,000 is repaid on or before December 31, 2022, the remaining amount of the loan is eligible for forgiveness. If the loan is not repaid by December 31, 2022, it will be extended for an additional 3-year term bearing an interest rate of 5% per annum. The funding provided to the Credit Union by the Government of Canada in respect of the CEBA Program represents an obligation to pass-through collections on the CEBA loans and is otherwise non-recourse to the Credit Union. Accordingly, the Credit Union is required to remit all collections of principal and interest on the CEBA loans to the Government of Canada but is not required to repay amounts that its members fail to pay or that have been forgiven. The Credit Union receives an administration fee to recover the costs to administer the program for the Government of Canada. Loans issued under the program are not recognized on the Credit Union's statement of financial position, as the Credit Union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. As of December 31, 2020, the Credit Union had funded approximately \$5.8 million in loans under the program.