



**2021 ANNUAL MEETING  
Wednesday April 13, 2022**

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**AGENDA**

1. Registration
2. Opening Remarks
3. Supper 6:00 p.m.
4. Call to Order 7:00pm
5. Introduction of Guests
6. Adoption of Proposed Agenda.
7. Confirmation of Meeting Notice and Quorum.
8. Appointment of Chairman
9. Appointment of Recording Secretary.
10. Approval of Minutes of April 21, 2021 Annual Meeting
11. Business Arising from the Minutes
12. Board of Director's Report
13. General Manager's Report
14. Auditor's Report and Financial Statements
15. Adoption of the Reports
16. Appointment of an Auditor for 2022
17. New Business:
  - (a) Election of Directors:
18. Service Awards Presentation
19. Other Business
20. Adjournment.



**Stoughton Credit Union  
Incorporated May 1960,**

**Board of Directors**

<b>Name</b>	<b>Address</b>	<b>Term Expires</b>	<b>Years of Service</b>
Shirley Coderre	Stoughton, Sk	2022	11
Brad Gervais	Stoughton, Sk	2022	6
Roger Wyatt	Kisbey, Sk	2022	7
Darwin Fenn	Stoughton, Sk	2023	8
Greg Goudy	Stoughton, Sk	2023	26
Danielle Hoffmar	Stoughton, Sk	2023	2
Harold Johnstn	Kenossee Lake, sk	2024	19
Deric Reaney	Stoughton, Sk	2024	13
Zandra Slater	Stoughton, Sk	2024	13

**Executive**

President

Greg Goudy

Vice President

Harold Johnston

Secretary/Treasurer

Christine Corscadden





## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2021

**January 2022**

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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](http://www.cudgc.sk.ca).



## Quick Facts

**(as of December 31, 2021, unless otherwise indicated)**

- Today there are 35 credit unions in Saskatchewan serving 205 communities through 232 service outlets.
- Credit unions offer financial products and services to more than 490,000 members.
- Saskatchewan credit union assets reached over \$27.4 billion with revenue of over \$1.03 billion.
- Credit union lending amounts were over \$20 billion.
- There are 332 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- 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 \$39.8 million to more than \$6.8 billion.
- In 2021, Saskatchewan credit unions returned over \$7.7 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,300 people.
- 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. Read more about the [guarantee](#).



**MINUTES – ANNUAL GENERAL MEETING**

Happy Nun Forget, Sk  
**April 21, 2021**

President Goudy thanked everyone for coming and thanked the staff and owners of the Happy Nun for the delicious meal.

President Goudy introduced the guests in attendance:

Tennille Wild – Auditor – Virtus Group

**Call to Order:**

The meeting was called to order by Goudy at 7:05pm

**Adoption of Agenda:**

**Deric R/ Raymond A:**

That the agenda be adopted as presented  
Carried

**Confirmation of Meeting Notice:**

General Manager Christine Corscadden reported the annual meeting was advertised on our Facebook page, our Website and by posters in both branches starting March 26, 2021.

The 2020 Annual Report was available to the members on April 7, 2021.

**Quorum:**

General Manager Christine Corscadden reported there were 22 in person members, 6 online members and 1 guest registered which constitutes a quorum.

**Appointment of Chairman:**

**Deric R/Kienen P:**

That Greg Goudy be appointed as Chairman

Nominations cease

Carried



**Appointment of Recording Secretary:**

**Karla G/Harold J:** That we appoint Christine Corscadden as recording secretary

Nominations cease

Carried

**Approval of Minutes:**

**Danielle H/Brad G(online):** That the minutes of the last annual meeting held July 15, 2020 as circulated in the Annual Report be approved as presented.

Carried

**Business Arising from the Minutes**

Nil

**Reports to Membership:**

The Board of Director's Report was presented by Greg Goudy.  
The General Manager's Report was presented by Christine Corscadden.  
The Auditor's Report was presented by Tennille Wild of Virtus Group.

**Danielle H/Holly F:** That the reports be adopted as presented.

Carried

**Appointment of Audit Firm:**

**Karla G/Kienen P:** That the audit firm Virtus Group be appointed as auditors for the 2021 year.

Carried

**New Business Election:**

**Raymond A/Ed Y:** Made a motion that nominations cease  
Carried

Harold Johnston, Deric Reaney & Zandra Slater in by acclimation



**Review of the Amendments to the Bylaws:**

**Deric R/Karla G:** Made a motion to approve the changes to the bylaws  
Carried

**Presentations:**

Two employees were presented an award for recognition for their service to the organization:

Jolene Martin	10 years
Donna Adams	10 years

One member of the board was recognized for their contribution to Stoughton Credit Union:

Greg Goudy	25 years
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**Other Business:**

Verna Reed presented 2 letters from the Village of Kisbey and members/nonmembers at large regarding the reduction in hours at the Kisbey Branch.

Christine Corscadden presented an explanation as to the reason for the reduction.

**Adjournment:**

**Kienen P:** That the meeting be adjourned at 7:46pm.

A handwritten signature in blue ink that reads "Greg Goudy".

Greg Goudy  
President

A handwritten signature in blue ink that reads "Christine Corscadden".

Christine Corscadden  
Secretary



## **2021 BOARD OF DIRECTORS REPORT**

I welcome our members and guests to our 62nd Annual Meeting. Thank you for your attendance, participation and interest.

2021 was another strange year for everyone including our Credit Union. Thankfully the summer came, and we were able to get back to a bit of normal for a time.

Even with all the uncertainty of 2021 our staff pulled together to get us through these unprecedented times as we are showing a profit of almost \$679,000.

We have now built up our reserves and feel it is a perfect time to start giving back to our members. The Board of Directors has approved a loyalty program for the 2021 year. The loyalty program will be giving \$50 back to every member who is in good standing with the credit union at year end. We will not be including formal Trust or Non-profit Groups.

On behalf of the board, I would like to thank our dedicated management and staff for their expertise in providing professional service to our members. Also, we thank our members for their loyal support, this enables us to achieve our continued growth and success.

Our Board of Directors met regularly throughout the year. This changed from month to month based on the restrictions put in place by the government. But even with the changes, we were able to meet sometimes electronically and sometimes in person to ensure appropriate policies were in place at the credit union and that we complied with all aspects of financial regulation including capital requirements and enterprise risk management.

In closing, I thank my fellow board members for their dedication and commitment of their time and effort working together on your behalf. We will continually strive to provide the financial services that meet the needs of our members.

A handwritten signature in blue ink that reads "Greg Goudy".

Respectfully Submitted  
Greg Goudy President





## **REPORT TO THE MEMBERSHIP**

Welcome to the 62<sup>nd</sup> Annual Meeting of Stoughton Credit Union.

2021 was another year of uncertainty for all of our members.

At the Credit Union, we continued to work and adapt our way through the pandemic and learned how to help our members in a way that was safe for our members and our staff. We have learned to use new technology and have adapted to a new way to do business.

In our community we saw another hot dry year for our farmers, but even in the face of this adversary they came through with good crops and better prices. Our local small businesses had a tough year with the different restrictions put in place. We are all hoping that we are now through the worst and can resume our lives pre-pandemic.

Overall, I am very proud of our staff and the resiliency they have shown through the many changes we had in 2021 and we are all looking forward to a fabulous 2022.

### **Staff**

Victoria Fraser made the decision to leave the Credit Union in March. We hired Austin Shauf to help for the summer on a contract position. Kienen Piper left us after he finished up our new Website build.

Sherry Kseyinch celebrated 5 years with Stoughton Credit Union. Crystal Cutler celebrated 15 years with Stoughton Credit Union.



## **Board of Directors**

Our directors are volunteers and devote a number of hours to the organization. We thank them for their commitment and contributions.

## **Members**

In 2021 we continued to work on expanding our presence through ad campaigns and social media. Karla Gervais is the head of our marketing department and has been doing a great job at expanding our brand. We were scheduled to update our website and our online banking in 2021 but like everything over the past few years it has not all happened on the timeline we wanted. We did launch our new website in 2021 but were not able to launch our new online banking platform. We are looking to integrate Member Direct for Small Business in 2022 and hopefully launch the full new online banking in 2023.

## **Financial**

We are showing an after tax profit of \$679,415. Our rates remained relatively consistent in 2021. We had a 7.12% growth in our Member deposits. Our loan portfolio increased by 2.60%, overall we saw good growth internally but lost some of our participation loans with amalgamations in the system. Overall we managed our expenses well in 2021 and are showing a nice profit which we will be sharing with our membership. We ended 2021 with 1,693 members.

## **Corporate Sponsorship**

We hosted two BBQ's in 2021. In Stoughton we matched donations to the School Breakfast program and issued a donation of \$950. In Kisbey we matched donations and issued a donation of \$1,500 to the Kisbey Museum. We purchased the new diving board for the Stoughton Swimming Pool, sponsored the movie in the park and made a donation to the Corning Hall after the sewer back up. Throughout the year we made donations of \$7,600. On Christmas Eve we invited local charity groups into both branches, 30 groups came and we made donations ranging from \$25 - \$1000 for a total donation of \$5,000 back to our community. The New Hope Pioneer Lodge Aux was the lucky group that picked the \$1,000 cheque off the Christmas tree. This was very well received and we are hoping to make this an annual event.



## Conclusion

2021 had many challenges, which with the backing of the board and staff we have been able to meet head on. We have a fantastic Team, and I am looking forward to the future.

Thank you to the Board of Directors for their leadership. Thank you to the staff who work tirelessly to deliver a great member experience. Thank you to the membership who make it all possible.

A handwritten signature in blue ink that reads "Greg Goudy".

Greg Goudy  
President

A handwritten signature in blue ink that reads "Christine Corscadden".

Christine Corscadden  
General Manager



## **Corporate Profile**

Stoughton Credit Union is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Stoughton Credit Union is able to provide financial services to members and non-members. As at December 31, 2021 Stoughton Credit Union had 1693 members.

Our credit union serves the communities of Kisbey, Stoughton and surrounding areas through two branches. In these communities, we provide a range of financial services including agricultural, commercial, personal loans and lines of credit, retail and commercial deposit services, card products, electronic banking and mobile banking.

The Credit Union Act, 1998 and The Credit Union Regulations, 1999, regulate the credit union. The credit union must comply with the Credit Union Deposit Guarantee Corporation's (CUDGC) Standards of Sound Business Practices and with Credit Union articles, bylaws and policies. Other provincial and federal regulations and common law create additional legal rights and obligations.

## **Vision, Mission and Values**

### **Vision**

To be a local, democratically controlled, responsible, viable cooperative financial institution, that is responsive to the economic and social needs of current and potential members.

### **Mission**

Stoughton Credit Union will:

- Maintain and develop an organizational structure that attracts and maximizes the potential of all our human resources.
- Attract and retain sufficient capital through a variety of competitively priced products designed to meet members' needs.
- Maximize use of capital for the benefit of members, security of capital, liquidity and return.
- Manage revenues and expenses in order to meet financial objectives of the Credit Union and its members.
- Develop the Credit Union and its services to meet the changing needs of members and potential members.
- Research and promote services that will develop the credit union and its members.

### **Values**

We follow the seven Cooperative Principles:

#### 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 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 into agreements with other organization, 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, employees so they can contribute effectively to the development of their co-operatives. They inform the public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

### Co-operation among Cooperatives

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.



## **Credit Union Market Code**

Stoughton Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee 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 the service, products, fees or charges of Stoughton Credit Union.
- **Fair sales** by outlining the roles and relationship of staff to all member/clients and in accordance with the financial services agreement.
- **Financial planning process** to advise member/clients on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with Stoughton Credit Union. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of Stoughton Credit Union among our members, clients and communities.
- **Capital management** to ensure our capital structure aligns with our risk philosophy.
- **Financial reporting** to adhere to business and industry standards.
- **Governance practices** to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Stoughton Credit Union.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

## **Code of Conduct**

All credit union directors and employees adhere to the principles of ethical conduct and responsible business behavior as reflected in the credit union Code of Conduct.

Any situation that requires clarification will be escalated to senior management, the Conduct Review Committee or legal counsel.

Adherence to the Code of Conduct is mandatory for all employees and directors.

## **Privacy Code**

Stoughton Credit Union has an established privacy compliance program based on the ten principles of the Credit Union Code for the Protection of Personal Information.

The credit union adheres to the principles regarding privacy as reflected in the Market Code that is based on the Code for the Protection of Personal Information.

## **Strategy**

The vision of Stoughton Credit Union is to be a local, democratically controlled, responsible, viable cooperative financial institution, that is responsive to the economic and social needs of current and potential members. To monitor specific objectives throughout the year that support this vision, a Strategic Plan Document has been developed that outlines the four



quadrants that builds into our vision statement. The four quadrants, people, organization, technology and financial strength have objectives in each of them. These objectives are formed into tactical plans for the year. The board of directors is kept current with progress to date by the quarterly manager’s report.

Our key strategic objectives in 2021 were;

**People**

- We will have well trained directors and staff
- Develop and maintain a Succession Plan for staff and directors

**Organization**

- We will meet or exceed compliance requirements
- Implement organizational changes to ensure an efficient organization

**Technology**

- Ensure we have the technology required to provide the best service to our members

**Financial/Growth**

- Ensure viability and profitability

**Key Performance Drivers**

To monitor our success in accomplishing our goals and objectives, the following key performance drivers have been established:

<b>Results</b>	<b>Targets</b>	<b>Actual</b>
Asset Growth	3.00% - 4.00%	7.37%
Deposit Growth	2.00% - 3.00%	7.19%
Loan Growth	5.00%	2.60%
Loan / Asset Ratio	65.00%	43.60%
Leverage Ratio (Capital)	8.25%	7.33%
Eligible Capital	12.00% - 14.00%	15.97%
Operating Costs	<3.00%	1.50%

**Corporate Structure and Governance**

The governance of Stoughton Credit Union is anchored in the co-operative principle of democratic member control.

**Board of Directors**

**Mandate and Responsibilities**

The board is responsible for the strategic oversight, business direction and supervision of management of Stoughton 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 board of directors is accountable to the members of the credit union for directing the affairs of the credit union and maintaining policies that are responsive to their needs, and the needs of the credit union for sound operations.

### **Board Composition**

The board is composed of nine directors elected on an at large basis. Changes to the bylaws approved by the membership have directed that the directors will be elected at large. Directors are elected by the membership to 3 year terms. The Nominating Committee has oversight responsibility for director nominations and the election of directors is in accordance with bylaws and policies. Nominations are made by advertising for nominations.

The election is held during the Annual General Meeting. Voting is by paper ballot and election results are announced at Stoughton Credit Union's Annual General Meeting.

### **Committees**

The responsibilities of the board of a modern financial services organization involve an ever-growing list of duties. Stoughton 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. Each committee is comprised of directors appointed by the board for a one year term.

- **Executive Committee** is comprised of the President, two directors and the General Manager (voting ex-officio) and act as the official representatives of the Board of Directors between regular of special meetings on most board matters.  
Committee members are: Greg Goudy, Brad Gervais, Deric Reaney, Christine Corscadden
- **Conduct Review Committee** ensures that Stoughton Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. The committee consists of three directors: Shirley Coderre, Darwin Fenn, Danielle Hoffman
- **Audit and Risk Committee** oversees risk management and ensures the integrity of financial reporting, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of all the directors.





- **Public Relations Committee** oversees the member relations and marketing programs for Stoughton Credit Union. The committee consists of four directors: Shirley Coderre, Danielle Hoffman, Harold Johnston, Roger Wyatt
- **Facilities Committee** oversees the maintenance and repair of the properties of the credit union. This committee consists of three directors: Brad Gervais, Roger Wyatt, Darwin Fenn

### **Meetings and Attendance**

The board holds regularly scheduled board meetings. In addition to regular board meetings, directors attend special board meetings, the annual general meeting and serve on one or more of the board committees.

There is an expectation that directors attend all board meetings and meetings of committee to which they have been appointed.

### **Board Compensation**

Board members are volunteers and are compensated for expenses and time. Director compensation for 2021 totaled \$12,121 (2020 – 18,621) and includes:

- A per diem for each board member and committee meeting attended
- A per diem for activities attended as a representative of the Stoughton Credit Union board
- Travel costs, where applicable, to cover time and mileage to attend meetings

### **Director Training**

Directors continued to participate in professional development during 2021

### **Executive Management**

The Management team is charged with carrying out the operations of Stoughton Credit Union, according to the overall strategic direction outlined by the Board of Directors.

Stoughton Credit Union operates under the following management structure:

- Christine Corscadden                      General Manager
- Derek Baumgartner                      Manager of Lending Services



***Our 2021 Staff***

The staff of Stoughton Credit Union provides high quality service to our members in our communities. Staff continue to enroll in training courses to improve their skills. Stoughton Credit Union employs 14 staff which supports their communities with pride. Our staff commits many hours of their own time on service clubs, sports teams, municipal and churches.

**STOUGHTON**

Christine Corscadden	General Manager
Derek Baumgartner	Manager of Lending
Jolene Martin	Loans Officer
Vivian Gheysens	MSR Supervisor
Barb Corbin	Loan Clerk
Donna Adams	MSR 2 – Casual Part-time
Victoria Fraser	MSR 2
Sherry Ksenych	MSR 2
Karla Gervais	Accounting Clerk
April Breault	MSR
Holly Fraser	MSR – Casual Part-time
Kienen Piper	MSR
Austin Shauf	Summer MSR

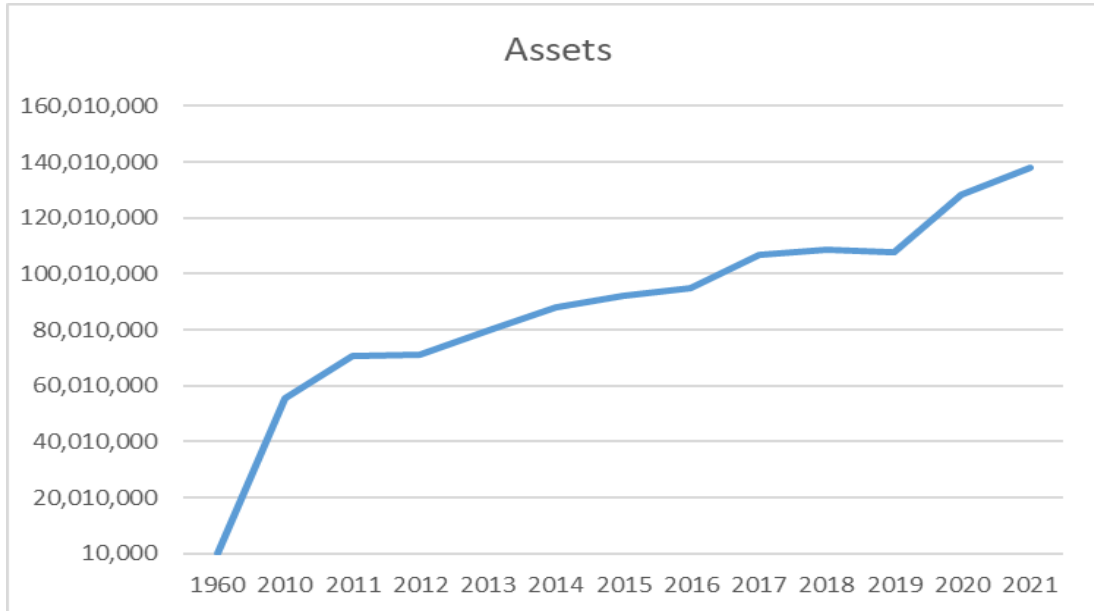
**KISBEY**

Crystal Cutler	MSR 2/Supervisor
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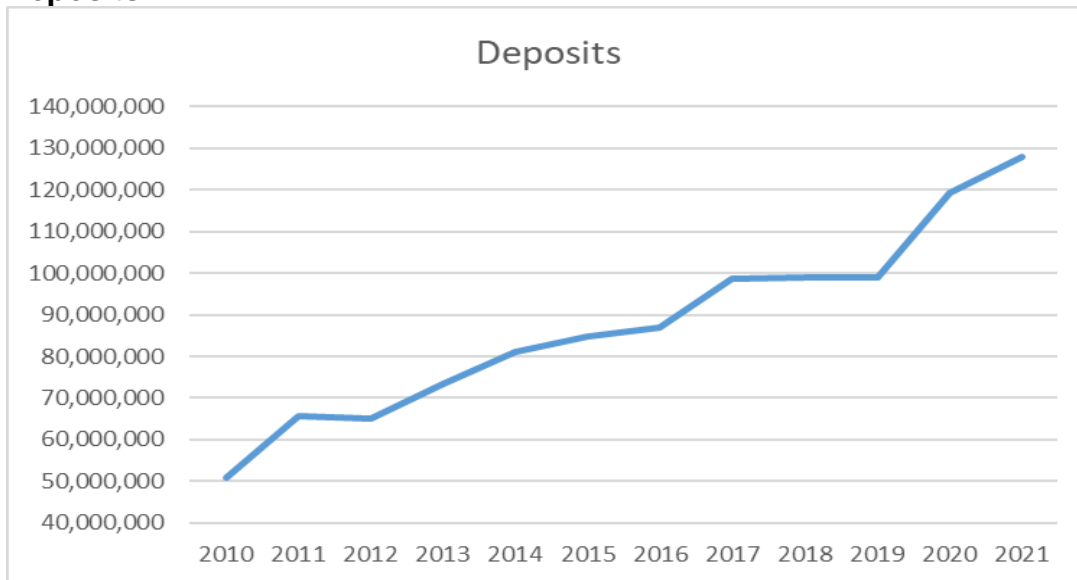


## Financial Performance Review

### Assets

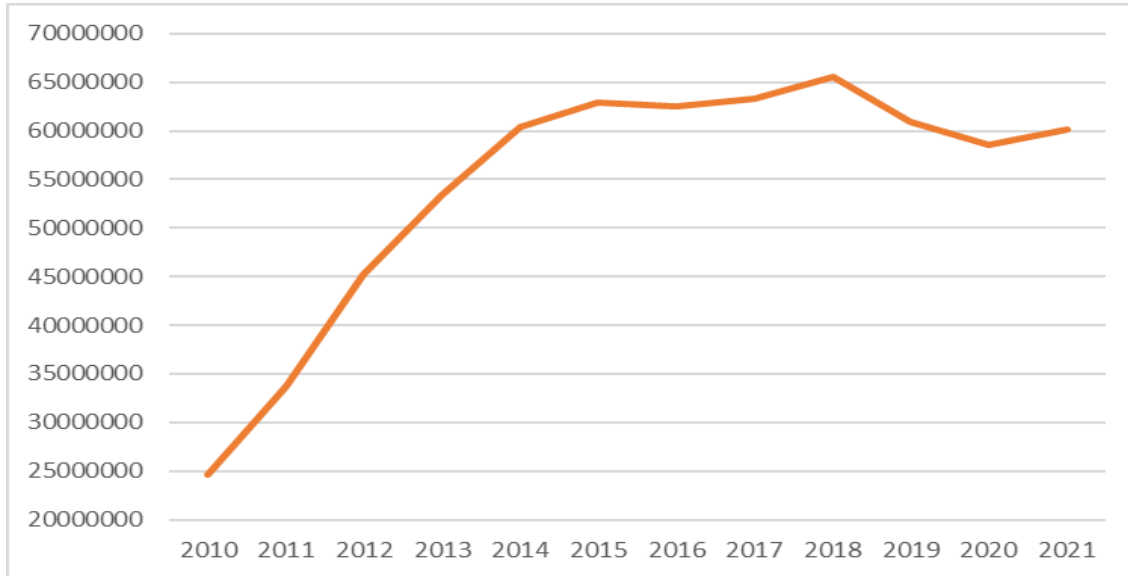


### Deposits



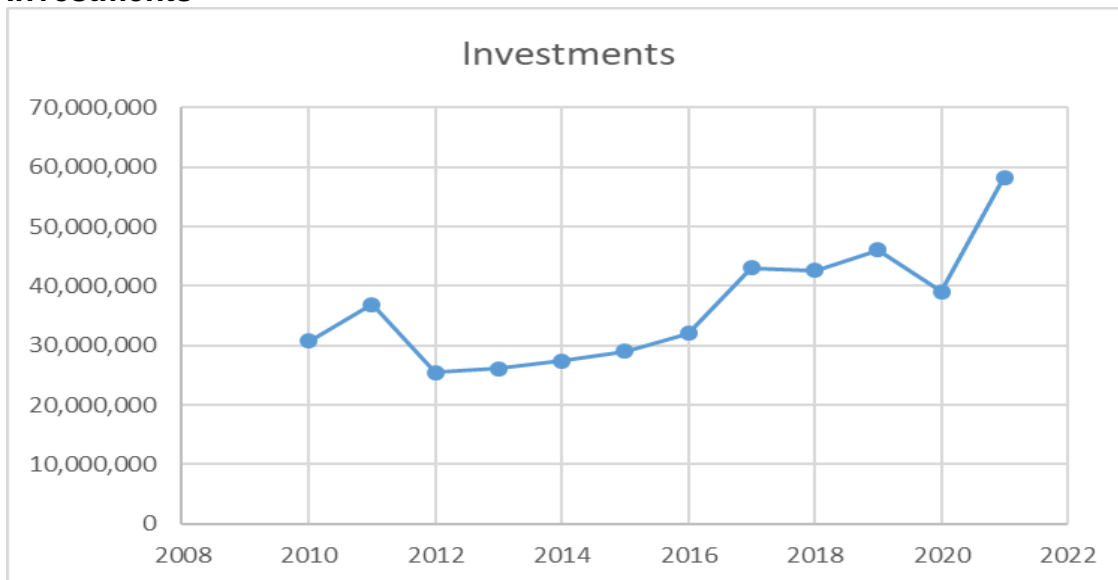
The Credit Union's deposits are 100% guaranteed by the regulator of credit unions in Saskatchewan, Credit Union Deposit Guarantee Corporation (CUDGC).

### Loans



At the end of 2021 22.5 Million of the loan portfolio is made up of participation loans and leases

### Investments



Credit unions are required by the provincial regulator, CUDGC to maintain 10% of their member deposit liabilities on deposit with SaskCentral for the Provincial Liquidity program. In addition to these Statutory Liquidity Investments on deposit with SaskCentral, the Credit Union maintains a high quality, liquid pool of investments to satisfy payment obligations and protect against unforeseen liquidity events.



### **Loan and Residential Mortgage Portfolio**

Stoughton Credit Union's loan portfolio can be influenced by excessive concentration in a number of ways: geographic region, type of product, industry, demographic characteristic and associated groups or individuals. Land values, commodity prices, home values and personal incomes all have a direct influence on risk in the loan portfolio. Also, local industries and the agricultural community are subject to market and weather conditions beyond the control of the credit union and can be difficult to anticipate.

Credit Union Deposit Guarantee Corporation introduced Regulatory Guidance relating to Residential Mortgage Underwriting. The guideline reaffirms the need for credit unions to have a stress testing process that considers unlikely, but plausible, scenarios and their impact on the residential portfolio. Results of these stress tests should be considered in the credit union's internal capital adequacy assessment process (ICAAP). Credit unions should reflect sets with inherently greater risk through risk-sensitive increases in capital identified through their ICAAP.

Stoughton Credit Union has a balanced loan portfolio with 29% consumer, 32.7% commercial, 27.44% agriculture; the remaining 10.78% is made up of leases. However: there is material exposure by product type, demographic characteristic, or associated groups/individuals. The credit union does have limited geographic exposure given our two branches in southeastern Saskatchewan and therefore use participation loans to diversify the loan portfolio as well as manage concentration limits. The credit union continues to manage on the assumption that a dramatic downturn in any industry could impact earnings/capital of the loan portfolio.

At year-end the credit union \$60 M loan portfolio was comprised of 5.8% insured residential mortgages and 17.67% uninsured residential mortgages. The credit union does not have any home equity line of credits. In line with the Residential Mortgage Underwriting Guideline the credit union will continue to review its mortgage underwriting practices/documentation to ensure it meets the guideline standards. The credit union does not have undue risk in the uninsured mortgage portfolio or the underwriting practices. The current risk weighted asset-based concentration provisions in ICAAP sufficiently address risk in the residential portfolio.

### **Credit Quality**

As a credit granting organization, credit quality is a key risk management of the Credit Union. Despite the potential impacts of the recent economic conditions, the Credit Union's standard credit quality measures have remained strong. Loan delinquency greater than 90 days was 2.33% for 2021. At December 31, 2020, loan delinquency was 6.43%. This ratio is above the credit union's target of 2.0% for delinquency. In 2021 we had a loan recovery of 199,977 our loan loss provision for 2020 was 199,471.



The Credit Union monitors its exposure to potential credit losses and maintains specific loan allowances. The quality of the credit portfolio is confirmed by both internal and external audit processes conducted annually.

### **Liquidity**

A primary objective of Stoughton Credit Union is to prudently manage liquidity to ensure that the Credit Union is able to generate or to obtain sufficient cash equivalents in a timely manner and at a reasonable price, to meet commitments as they come due. The Credit Union has an established policy with respect to liquidity, as well as processes and practices with respect to the management of funding requirements. The Credit Union maintains liquid assets and regularly measures and monitors its available liquidity. The Credit Union also maintains external borrowing facilities to complement its liquidity management process.

SaskCentral is the statutory liquidity manager for the Saskatchewan Credit Union system. Credit Unions are required to hold 10% of member deposits in statutory liquidity funds and adjust those figures on a quarterly basis. As of year-end the credit union was at 10.07%.

The credit union regulator issued new Liquidity Standards that came into effect January 1, 2017. The new standards allow the regulator to assess if the credit union maintains adequate and appropriate liquidity levels. A key component of the Liquidity Standards is the introduction of the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure that the credit union has an adequate level 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.
- Meets its liquidity needs for a 30-calendar day liquidity stress scenario, by which time it is assumed corrective actions have been taken by the credit union and/or the regulator.

Stoughton credit union has approved a minimum LCR ratio of 150%. The credit union ended 2021 with the ratio above the standard at 349.35%.

### **Profitability**

Total income for the year was \$679,415 an increase from \$393,466 in 2020. Total interest income was \$3.30 million which has decreased from \$3.50 million in 2020. Interest expense on deposits has decreased slightly to \$1.10 million from \$1.27 million in 2020.

Other income includes insurance commissions, loan fees, foreign exchange and account service fees. Other income increased by \$8,384.



Operating expenses include general business, occupancy, organizational, personnel and security. The total operating expense was \$2.065 million a increase from \$1.853 in 2020. As a percentage of total assets, operating expenses were 1.5% a increase from 1.44% in 2020.

### **Capital Management**

Capital is the core of risk management and the key variable in measuring the ability of Stoughton Credit Union to accept risk. Credit Union's measure capital adequacy through four measures. The measures are: Common Equity Tier 1 Capital to Risk Weighed Assets, Total Tier 1 Capital to Risk Weighed Assets, Total Eligible Capital to Risk Weighed Assets and a Leverage Ratio.

Risk Weighted Assets to Capital Ratios measure capital in relation to the risk in Stoughton Credit Union's balance sheet and operations. The Leverage Ratio measures the quality of Stoughton Credit Union's capital.

Capital adequacy for Saskatchewan Credit Unions is set and measured in accordance with guidelines issued by the regulator of credit unions, Credit Union Deposit Guarantee Corporation. The capital adequacy rules issued by Credit Union Deposit Guarantee Corporation have been based on the Basel III framework, consistent with the financial industry in general. The Standards of Sound Business Practice of CUDGC that incorporate the Basel III framework took effect on July 1, 2013.

Failure to comply with regulatory limits in these two capital elements (capital and risk weighted capital) may result in regulator intervention. Stoughton Credit Union is in compliance with regulated limits.

Stoughton Credit Union maintains a capital plan and in 2017 the plan was updated to a three year document. The objectives of the capital plan are to:

- Ensure capital meets regulatory standards
- Sustain growth in current market operations
- Maintain flexibility to accommodate strategic business plans and growth initiatives
- Provide confidence to regulator and member
- Provide a financial cushion against potential losses, satisfy liquidity and protect against insolvency

### **Capital Trends**

The capital position of the credit union remains strong from both an Eligible Capital and a Risk Weighted Capital standpoint.

Total Tier 1 and Eligible Capital decreased from last year due to the net loss in 2019 but we are still above all our internal targets. The table below outlines the CUDGC minimum standards and the credit union position in relation to the standards.



	<u>Regulatory</u>	<u>Board Policy</u>	<u>2021 Actual</u>	<u>2020 Actual</u>
Total Tier 1	8.50%	12.00%	15.24%	14.20%
Eligible Capital	10.50%	12.0% - 14.0%	14.81%	14.51%
Leverage	5.00%	6.00%	7.33%	7.17%

Effective January 1, 2016 an additional Conservation Buffer of 2.50% was added to both Tier 1 Capital and Eligible Capital to bring the minimums to 8.50% and 10.50% respectively.

The table shows that Stoughton Credit Union is operating above the regulatory standards and within our targets. The targets for Stoughton Credit Union are approved by the board of directors and reviewed annually to reflect our current economic operating issues and marketing opportunities.

Credit unions are to have a process in place for assessing their overall capital adequacy in relation to their risk profile and a strategy for building and maintaining their capital levels. This process is part of the Internal Capital Adequacy Assessment Process or ICAAP that credit unions implemented in 2013 as the reporting standards of Basel III to our regulator are now in effect. Basel III is the international standard for capital that financial institutions must adhere to and these standards increased effective January 1, 2016. As a component of ICAAP, Stoughton Credit Union is required to perform rigorous, forward-looking stress testing to complement and validate risk management approaches and identify possible events or changes in market conditions and their effect on the financial condition of the organization.

### **Patronage**

The patronage rebate payment to members was suspended again for the 2021 year.

### **Loyalty Payment**

The Board has approved a \$50 per membership loyalty payment.

### **Eligibility**

1. Member must have an account that is in good standing at year end and at the time of payout (no Delinquent Loans, Main account must not be in an inactive or dormant state, no unauthorized overdraft)
2. Must have a membership – open to all ages
3. Will not include – Not for Profit Groups or Trust's





## ***Enterprise Risk Management (ERM)***

As a financial institution, Stoughton Credit Union is exposed to a variety of risk. Risk is the downside that exists in almost every aspect 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. Building sound policies and operational processes, audit practices, capital strategies and liquidity management, supported by strong human resources is the heart of strategic objectives.

Stoughton Credit Union is exposed to risks that are classified within one of the following categories: credit, market, liquidity, operational, legal and regulatory, emerging/reputation and strategic. ERM prioritizes the level of risk and identifies the strategies or gaps that are to be addressed in each risk category. The risk areas identified for Stoughton Credit Union are as follows:

### **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, customer preferences, product obsolescence 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.

Stoughton Credit Union has an annual strategic planning process. Management reports to the Board of Directors on a quarterly basis the performance of the Credit Union to the plan.

### **Market / Interest Rate Risk**

Market risk is the exposure to potential loss from changes in market prices or rates. 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.

Stoughton Credit Union utilizes management processes to determine existing market, past trends and possible future direction. There are specific policies that define risk limits in this area. Management utilizes Static Gap Modelling to regularly monitor and manage this risk.

### **Liquidity Risk**

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or funding loans without incurring unacceptable losses. Liquidity



risk includes the inability to manage unplanned decreases or changes in funding sources.

Stoughton Credit Union has a liquidity and capital plan as well as specific policies and regulatory limits to manage this risk. Stoughton Credit Union maintains sufficient liquid resources to fund our balance sheet and to meet the cash requirements of our members. Stoughton Credit Union has a portfolio of liquid assets and has a line of credit with SaskCentral.

### **Credit Risk**

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. [Examples of sources of credit risk may include direct lending activities and holdings of investment securities.]

Credit risk is managed through approved policies, procedures, standards, regulations and controls. The credit portfolio and lending practices are regularly reviewed and assessed by our external and internal auditors. The audit results are reported to the Board of Directors.

### **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.

Stoughton Credit Union has policies and processes in place to ensure compliance requirements are met. Internal and external audits are conducted, and the results are reported to the Board of Directors.

### **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 deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.

Stoughton Credit Union uses policies, procedures, controls and monitoring to mitigate operational risk. Risk is managed and monitored through internal audits, insurance, business continuity planning and technology plans, procedures and processes.

### **Emerging / Reputation**

Emerging risks are issues that could have an impact on the credit union in the future. Emerging risk may change very rapidly; thus the importance of identifying and monitoring.



To reinforce the ERM process the Credit Union's board of directors' review policies annually to address changes to the financial services industry and to make changes/set limits that match the credit union's risk tolerance. The credit union continues to have external input to address the ever-changing environment. The financials are reviewed semi-annually by our external auditors. Also, on an annual basis the credit union subcontracts the internal audit function to review policy, procedures and practices of the credit union.

### ***Corporate Social Responsibility (CSR)***

Stoughton Credit Union is committed to being a strong corporate citizen within our trading area. The Credit Union provides funds to projects that add improvement to quality of life, improve public facilities or host events that enrich the community. The Credit Union believes that corporate responsibility and social responsibility go hand in hand – there is a responsibility to be a good corporate citizen by giving back to the communities in which we live and do business.

### **Donations/Sponsorships**

Stoughton Credit Union continues to support other organizations in our communities as well through cash donations, sponsorships and volunteer activities. In 2021 the credit union donated over \$7,500 in cash and gifts-in-kind to organizations in our trading area over the year. We also started 12 days of giving leading up to Christmas. For the final day we made \$5,000 in donations to 30 different community groups. This was very well received from all the groups, and we are hoping to make this an annual occurrence.

### **Scholarships**

Each year, Stoughton Credit Union presents a \$500 scholarship award to the graduates that will continue their education. A total of three scholarship awards are presented.