CONEXUS CREDIT UNION

Consolidated Financial Statements
December 31, 2022

Contents

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Conexus Credit Union were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many accounts that must of necessity be based on estimates and judgements. These consolidated financial statements were prepared in accordance with the financial reporting requirements prescribed by *The Credit Union Act, 1998* of the Province of Saskatchewan, Credit Union Deposit Guarantee Corporation and by statute. The accounting policies followed in the preparation of these financial statements conform to International Financial Reporting Standards (IFRS). Financial and operating data elsewhere in the annual report are consistent with the information contained in the consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include: quality standards in hiring and training of employees, policy and procedure manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with the appropriate legislation and conflict of interest rules. It is also supported by internal audit staff, which conducts periodic audits of all aspects of our operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit and Conduct Review Committee, which is composed entirely of independent directors. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit and Conduct Review Committee include reviewing our existing internal control procedures, planned revisions to those procedures and advising the directors on auditing matters and financial reporting issues. Our chief internal auditor has full and unrestricted access to the Audit and Conduct Review Committee.

Further monitoring of financial performance and reporting is carried out by the Credit Union Deposit Guarantee Corporation. It is given its responsibilities and powers by provincial statute through *The Credit Union Act, 1998*. Its purpose is to guarantee members' funds on deposit with Saskatchewan credit unions and provide preventative services, that include ongoing financial monitoring, regular reporting and consultation.

Deloitte LLP Chartered Professional Accountants, appointed by the members of Conexus Credit Union upon the recommendation of the Audit and Conduct Review Committee and Board of Directors, have performed an independent audit of the consolidated financial statements and their report follows. The auditors have full and unrestricted access to the Audit and Conduct Review Committee to discuss their related findings.

CPhilpot

Celina Philpot

Chief Executive Officer

Neil Cooper

Chief Financial Officer

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Independent Auditor's Report

To the Members of
Conexus Credit Union 2006

Opinion
We have audited the consolidated financial statements of Conexus Credit Union 2006 (the "Credit Union"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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.

Other Information
Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 IFRS, 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 GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte LLP

Chartered Professional Accountants
Regina, Saskatchewan
March 2, 2023

Conexus Credit Union
Consolidated Statement of Financial Position

(In thousands of CDN $)
As at December 31, 2022

	Note	2022	2021
Assets			
Cash and cash equivalents	5	161,455	297,558
Investment securities	6	1,186,723	1,070,704
Loans and advances	7	5,177,221	5,168,468
Derivative assets	9	7,513	8,291
Property and equipment	11	82,517	86,901
Right of use assets	17	22,096	23,707
Investment property	12	9,808	10,182
Goodwill and intangible assets	13	15,617	14,369
Investments in associates and joint venture		1,734	511
Current tax assets	23	6,135	-
Deferred tax assets	23	460	556
Accounts receivable and prepaids	22	89,577	24,234
Total assets		6,760,856	6,705,481
Liabilities			
Deposits	14	5,591,599	5,465,357
Securitization liabilities	10	368,011	540,160
Borrowings	15	19,894	-
Membership shares and equity accounts	16	13,285	14,445
Derivative liabilities	9	6,194	8,680
Lease liabilities	17	20,054	21,477
Non-controlling interests	18	13,043	8,132
Current tax liabilities	23	4	6,801
Deferred tax liabilities	23	1,217	1,374
Accounts payable and other liabilities	19	61,905	54,688
Total liabilities		6,095,206	6,121,114
Contingent liabilities and commitments	27		
Members' equity			
Accumulated other comprehensive loss		(11,661)	(1,730)
Retained earnings		677,311	586,097
Total members' equity		665,650	584,367
Total liabilities and members' equity		6,760,856	6,705,481

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD:

Mark Borgares, Chair, Board of Directors

Adam Hicks, Chair, Audit and Conduct Review Committee

Conexus Credit Union
Consolidated Statement of Comprehensive Income

(In thousands of CDN $)
For the year ended December 31, 2022

	Note	2022	2021
Interest income	20	225,276	202,230
Interest expense	20	72,755	48,285
Net interest income		**152,521**	**153,945**
Commission and fee income	21	36,294	35,532
Other income	22	88,942	35,248
Net interest and other income before credit losses		**277,757**	**224,725**
Provision for credit losses	8	20,120	30,255
Net interest and other income after credit losses		257,637	194,470
Operating expenses			
Personnel		90,646	84,677
General business		50,362	44,382
Occupancy		12,075	11,814
Member security		4,894	4,690
Organizational		1,014	827
Total operating expenses		158,991	146,390
Profit for the year before income tax		98,646	48,080
Income tax expense	23	7,104	11,640
Profit for the year		91,542	36,440
Profit attributable to non-controlling interest	18	328	2,419
Profit for the year attributable to members		91,214	34,021
Other comprehensive (loss) income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at FVOCI			
Net unrealized loss		(9,931)	(2,699)
Other comprehensive loss for the year, net of tax		(9,931)	(2,699)
Total comprehensive income for the year		81,283	31,322

See accompanying notes to the consolidated financial statements

Conexus Credit Union
Consolidated Statement of Changes in Members' Equity

(In thousands of CDN $)
For the year ended December 31, 2022

	2022	2021
Accumulated other comprehensive (loss) income- Financial assets at FVOCI		
Balance at January 1	(1,730)	969
Other comprehensive (loss) income, net of tax of ($2,802) (2021 - $761) (Note 23)	(9,931)	(2,699)
Balance at December 31	(11,661)	(1,730)
Total Accumulated other comprehensive (loss) income	(11,661)	(1,730)
Retained earnings		
Balance at January 1	586,097	552,076
Profit for the year attributable to members	91,214	34,021
Balance at December 31	677,311	586,097
Total members' equity	665,650	584,367

See accompanying notes to the consolidated financial statements

Conexus Credit Union
Consolidated Statement of Cash Flows

(In thousands of CDN $)

For the year ended December 31, 2022

	Note	2022	2021
Cash flows provided by (used in) operating activities			
Profit for the year		91,542	36,440
Adjustments for non-cash items:			
Net interest income	20	(152,521)	(153,945)
Gain on financial instruments	22	(13,008)	(24,735)
Dividend income	22	(69,052)	(1,536)
Provision for credit losses	8	20,120	30,255
Depreciation of property and equipment	11	7,351	7,565
Depreciation of right of use assets	17	1,756	1,631
Amortization of intangible assets	13	1,611	1,708
Amortization of investment property	12	386	383
Income tax expense	23	7,104	11,640
Other		(1,497)	747
Changes in operating assets and liabilities:			
Loans and advances		(30,303)	96,865
Deposits		116,405	225,758
Securitization liabilities		(172,149)	(227,598)
Accounts receivable and prepaids		3,426	(728)
Accounts payable and other liabilities		7,217	(4,750)
Interest received		223,182	211,183
Interest paid		(62,918)	(58,694)
Proceeds from unwinding of interest rate swaps		4,944	-
Income tax paid		(20,098)	(509)
Cash flows provided by (used in) operating activities		(36,502)	151,680
Cash flows used in investing activities			
Dividends received on equity investment securities		282	1,536
Distributions received from associates and joint ventures		510	335
Purchase of business combination		-	(91)
Purchases of investment securities		(628,045)	(523,122)
Proceeds on sale of investment securities		511,289	371,061
Net purchase of property and equipment		(3,030)	(4,732)
Net purchase of investment property	12	(13)	(109)
Net purchase of intangible assets	13	(2,859)	(2,887)
Cash flows used in investing activities		(121,866)	(158,009)
Cash flows provided by financing activities			
Net (repayments) advances of borrowings: (Beginning 2022 - $nil, Net cash flows - (19,894), Ending 2022 - $19,894)	15	19,894	-
Net issuance (redemption) of shares: (Beginning 2022 - ($14,445, Net cash flows - ($1,160), Non-cash items - $nil, Ending 2022 - $13,285)	16	(1,160)	(1,423)
Repayment of lease liabilities: (Beginning 2022 - ($21,477, Net cash flows - ($1,462), Non-cash items - $39 , Ending 2022 - $20,054)	17	(1,462)	(1,366)
Capital contributions received from non-controlling interests: (Beginning 2022 - $8,132 , Net cash flows - $4,583, Non-cash items - $328, Ending 2022 - $13,043)	18	4,583	3,912
Cash flows provided by financing activities		21,855	1,123
Net decrease in cash and cash equivalents during the year		(136,513)	(5,206)
Net foreign exchange difference on cash held		410	(636)
Cash and cash equivalents, beginning of year		297,558	303,400
Cash and cash equivalents, end of year	5	161,455	297,558

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

Conexus Credit Union 2006 (the Credit Union), was established and continued pursuant to *The Credit Union Act, 1998 (The Act)* of the Province of Saskatchewan. The Credit Union serves members and non-members in the Province of Saskatchewan. The address of the Credit Union's registered office is 2375 College Avenue, Regina, Saskatchewan, Canada.

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 website at www.cudgc.sk.ca.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

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

The consolidated financial statements for the year ended December 31, 2022 were authorized for issue by the Board of Directors on March 2, 2023.

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- Foreclosed property held for sale which is measured at the lesser of the loan balance at foreclosure and the net realizable value of the property.
- Financial instruments classified as fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) which are measured at fair value.

The consolidated financial statements are presented in Canadian dollars (CDN $), which is the Credit Union's functional currency, and have been rounded to the nearest thousand unless stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements, as summarized below, have been applied consistently over all periods presented in the consolidated financial statements.

A. Use of estimates and key judgements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The most significant uses of judgements and estimates are as follows:

- **Consolidation:** determining whether the Credit Union has control, joint control or significant influence over its investees (Note 3B).
- **Classification of financial assets:** assessment of the business model within which a financial asset is held and whether the cash flows represent solely payments of principal and interest (Note 3Cii).
- **Fair value measurement:** determining the fair value for certain assets and liabilities which require significant unobservable inputs (Note 3E).
- **Allowance for credit losses:** determining the appropriate inputs into the expected credit loss (ECL) model, including the estimates of probability of default (PD)/loss given default (LGD)/exposure at default (EAD) and incorporation of forward-looking information and establishing the criteria for determining when there has been a significant increase in credit risk (Note 3Di).

(In thousands of CDN $)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of consolidation

i. Subsidiaries

The consolidated financial statements contain the assets, liabilities, income and expenses of subsidiaries after eliminating inter-company transactions and balances. Subsidiaries are entities that are controlled by the Credit Union as evidenced by:

- Power over the investee, meaning the ability to direct the investee's relevant activities;
- Exposure, or right to, the variable returns of the investee; and
- The ability to use its power over the investee to affect its returns.

The Credit Union's subsidiaries may include certain structured entities which were created to achieve a narrowly defined set of objectives and activities which can be broadly classified as securitization vehicles and investment funds. For securitization vehicles, the assessment of control focuses on the ability of the Credit Union to direct the relevant activities of the vehicle including the selection of assets to be securitized and management of distressed assets. For investment funds, the assessment is based on the aggregate economic interests the Credit Union holds in the fund (both direct holdings and management fees) and the nature of the investors' removal rights.

The Credit Union reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of these three elements of control.

The following entities are included in the consolidated financial statements of the Credit Union:

		Ownership Interest	
	Head Office	**2022**	**2021**
Protexus Holdings Inc.	Regina, SK	100%	100%
Pivot Trust	Toronto, ON	100%	100%
Conexus Venture Capital Inc.	Regina, SK	100%	100%
Thrive Wealth Management Ltd.	Regina, SK	100%	100%
CVC Fund 1 LP	Regina, SK	78.95%	78.95%
Emmertech Fund 1 LP	Regina, SK	18.69%	18.69%

ii. Non-controlling interests

Non-controlling interests represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Credit Union. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and the consolidated statement of financial position.

The non-controlling interests presented in the consolidated statement of financial position are classified as a financial liability due to the associated subsidiary being a limited life entity with an obligation to distribute its net assets to the unitholders upon liquidation.

iii. Associates and joint ventures

Investment in associates include entities over which the Credit Union has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement whereby the Credit Union has joint control over an entity and rights to the net assets of the entity.

Joint control is the contractually agreed sharing of control of an entity, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The carrying value of the investment is subsequently adjusted for the Credit Union's share of these entities' profits or losses less dividends or distributions received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following associates and joint ventures are recognized in the consolidated statement of financial position:

	Classification	Ownership Interest 2022	2021
CU Dealer Finance Corp.	Regina, SK	40%	40%
APEX Investment GP Inc.	Regina, SK	25%	25%

C. Financial instruments

i. Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instrument and are initially measured at the trade date fair value. Transaction costs on financial instruments classified as FVTPL are expensed as incurred. For all other classifications of financial instruments, initial transaction costs directly attributable to the purchase or issuance of the instrument are capitalized.

ii. Classification and subsequent measurement

a) Financial assets: debt instruments

The classification of financial assets which meet the definition of debt, including loans and certain investment securities, is based upon an assessment of the following two criterion: (1) the cash flow characteristics of the debt instrument; and (2) the business model used to manage the debt instrument.

The assessment of cash flow characteristics focuses on whether the cash flows arising from the asset represent solely payments of principal and interest (SPPI). Principal is defined as the fair value of the asset at initial recognition. Interest for the purpose of the assessment is defined as the consideration for the time value of money plus other risks inherent in a basic lending arrangement, the most significant of which is credit risk.

The business model assessment is determined in a manner that reflects how groups of financial assets are managed in order to generate cash flows, that is, they reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgement and is based on all relevant evidence available at the date of the assessment. Financial assets are not reclassified following their initial recognition, unless the business model for managing those financial assets changes.

The application of the cash flow characteristics and business model assessments result in financial asset debt instruments being classified in one of the following measurement categories:

- **Amortized cost:** a debt instrument with cash flows representing SPPI and held within a business model with an objective of holding to collect contractual cash flows. Financial assets at amortized cost are measured subsequent to initial recognition using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset taking into account any direct and incremental discounts, premiums, transaction costs and fees on acquisition. Amortization of these premiums, discounts and other direct acquisition costs are included within interest income in the consolidated statement of comprehensive income.

  Impairment of debt instruments measured at amortized cost is calculated using the ECL approach. Debt instruments, including loans and certain investments are presented net of the related allowance for impairments on the consolidated statement of financial position.

- **FVOCI:** a debt instrument with cash flows representing SPPI and held within a business model with an objective to both collect cash flows and sell financial assets. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI) with premiums, discounts and other direct acquisition costs being amortized over the expected life of the asset to interest income in the consolidated statement of comprehensive income using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- **FVTPL:** a debt instrument with cash flows that do not represent SPPI, which is held for trading purposes and/or is held within a business model with a primary objective that does not include the collection of cash flows. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVTPL are recognized within other income in the consolidated statement of comprehensive income.

Regardless of the cash flow characteristics or business model, debt instruments may be designated at FVTPL upon initial recognition if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. The Credit Union has not designated any of its debt instruments as at FVTPL.

b) Financial assets: equity instruments

Financial assets which meet the definition of equity are measured at FVTPL, unless an irrevocable election is made to designate them at FVOCI upon initial recognition (on an instrument-by-instrument basis). The Credit Union has used this election for its shares in SaskCentral as this investment is held indefinitely for regulatory purposes.

For equity instruments measured at FVTPL, changes in fair value are recognized as part of gains and losses on financial instruments in the consolidated statement of comprehensive income.

For equity instruments measured at FVOCI, both realized and unrealized gains and losses on these instruments are recorded in OCI and are not subsequently reclassified to the consolidated statement of comprehensive income. Dividends received are recorded in other income in the consolidated statement of comprehensive income. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the consolidated statement of comprehensive income upon sale of the security.

c) Financial liabilities

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities may be designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities at FVTPL are measured at fair value with changes in fair value being recognized in the consolidated statement of comprehensive income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

d) Overview of financial instrument classifications

The following table summarizes the classifications of the Credit Union's various financial instruments:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

	Classification	Description
Financial Assets	FVTPL	Investment securities • Certain statutory liquidity deposits • Certain equity securities Derivative assets
	FVOCI	Investment securities • Certain non-statutory debt securities • Certain equity securities
	Amortized cost	Cash and cash equivalents Investment securities • Certain statutory liquidity deposits • Certain non-statutory debt securities Loans and advances Accounts receivable
Financial Liabilities	FVTPL	Derivative liabilities
	Amortized Cost	Deposits Securitization liabilities Borrowings Membership shares and equity accounts Accounts payable and accrued liabilities

iii. Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Credit Union has transferred substantially all the risks and rewards of ownership of the assets.

Where substantially all of the risks and rewards of ownership of the financial asset are not retained or transferred, the Credit Union derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

When a financial asset is derecognized, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the derecognized asset and the value of the consideration received, including any new assets and/or liabilities recognized.

Financial liabilities are derecognized when the associated obligation has been discharged, cancelled or otherwise extinguished.

iv. Modification

If the terms of a financial instrument are modified, the Credit Union evaluates whether the cash flows of the modified instrument are substantially different by comparing the present value of the original cash flows to the revised cash flows discounted at the effective interest rate. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial instrument are deemed to have expired. In this case, the original financial asset or liability is derecognized and a new financial asset or liability is recognized in the consolidated statement of financial position at fair value.

If the cash flows of the modified financial instrument carried at amortized cost are not substantially different, then the modification does not result in derecognition and the gross carrying amount of the asset or liability is adjusted to match the present value of the revised contractual cash flows. The difference between the original and revised gross carrying amount is recognized as a modification gain or loss in the consolidated statement of comprehensive income. If such a modification is carried out on a credit-impaired (Stage 3) loan, then the gain or loss is included within the provision for credit losses. In all other cases, it is recorded as other income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Derivative financial instruments and hedge accounting

Derivative financial instruments are financial contracts whose values are derived from an underlying interest rate, foreign exchange rate, equity instrument, commodity or index. In the ordinary course of business, the Credit Union enters into derivative transactions to manage risks relating to movements in interest rates, foreign exchange rates and equity indices and for asset/liability management purposes.

Derivative financial instruments are classified as FVTPL and recorded at fair value in the consolidated statement of financial position as either a derivative asset (for positive fair values) or a derivative liability (for negative fair values). Unrealized gains/losses are included in the consolidated statement of comprehensive income within gains and loss on financial instruments unless they are designated in a qualifying hedge accounting relationship. Realized gains/losses are recorded within net interest income.

a) Hedge accounting qualification

The Credit Union designates certain derivatives as hedging instruments where the derivative is highly effective in offsetting either changes in the fair value or cash flows attributable to the hedged item.

At the inception of the hedge accounting relationship, the Credit Union documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Credit Union documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the documented hedge ratio matches the actual ratio of the hedged item and hedging instrument.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Credit Union adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Credit Union discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

b) Cash flow hedges

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of income taxes, is recorded in other comprehensive income (OCI) while the ineffective portion is recorded within other income on the consolidated statement of comprehensive income. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting (after rebalancing, if applicable), hedge accounting is discontinued and the amounts previously recorded in OCI are reclassified to net interest income during the periods when the variability in the cash flows of the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts previously recorded in OCI are immediately reclassified to other income.

c) Fair value hedges

In a fair value hedging relationship, the carrying value of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk. A corresponding unrealized gain/loss is recognized within other income which is offset by the unrealized gains/losses recognized on the hedging derivative. If the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively with the fair value adjustment arising from the hedged risk being amortized into profit or loss over the remaining term of the hedged item using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Impairment

i. Financial assets

The Credit Union recognizes a loss allowance for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments (loans and certain investment securities),
- undrawn lines of credit,
- loan commitments to extend credit; and
- letters of credit.

In instances where a loan and advance includes both a drawn and undrawn component, such as a line of credit and loan commitment, the Credit Union presents the drawn component as an allowance for credit losses and the undrawn component is presented as a provision.

a) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured using a three-stage approach as follows:

- **Stage 1:** where there has not been a significant increase in credit risk since initial recognition or the financial instrument is determined to have low credit risk, the 12 month ECL is recorded as the present value of all cash shortfalls over 12 months after the reporting period;
- **Stage 2:** when a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, the lifetime ECL is recorded as the present value of all cash shortfalls over the remaining estimated life of the financial instrument; and
- **Stage 3:** when a financial instrument is considered to be in default, the lifetime ECL is computed as the difference between the gross carrying amount and the present value of estimated future cash flows.

The ECL on undrawn lines of credit and loan commitments to extend credit are computed as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive. The ECL on letters of credit are computed as the expected payments to reimburse the holder less any amounts that the Credit Union expects to recover.

b) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Credit Union compares the risk of default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The criteria for determining whether credit risk has increased significantly varies by portfolio and includes quantitative changes in internal credit risk ratings and qualitative factors, including a backstop based on delinquency. A significant increase in credit risk is deemed to have occurred if any of the following criteria have been met:

- the financial asset is 30 days past due, unless the Credit Union has reasonable and supportable information that demonstrates otherwise
- the internal credit risk rating has deteriorated by 4 or more rating points for loans
- qualitative indicators that the Credit Union considers may also be indicative of a significant increase in credit risk

The Credit Union assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default,
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfill its contractual cash flow obligations; and
- an investment security has a credit risk rating equivalent to the globally understood definition of "investment grade".

(In thousands of CDN $)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For undrawn lines of credit, loan commitments to extend credit and letters of credit, the date that the Credit Union becomes a party to the irrevocable commitment is considered the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Credit Union also considers changes in the internal credit risk ratings of the loan to which a loan commitment relates. For financial guarantee contracts, the Credit Union considers the changes in the risk that the specified debtor will default on the contract.

The Credit Union regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

c) Forward-looking information

The Credit Union incorporates forward-looking information into its measurement of ECL. The Credit Union formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and the Bank of Canada, forecasts by large Canadian banks and financial institutions and other selected private sector and expert forecasters.

The Credit Union has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used included the Canadian unemployment rate, Canadian equity, and the Canadian oil price for the years ending December 31, 2022 and 2021.

For the year ending December 31, 2022, the Credit Union probability-weighted the "base case" scenario most heavily as it represents the most likely outcome and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The weightings assigned to each scenario were consistent across portfolios, with a probability of 60% (2021 - 60%) applied to the "base case" scenario, 20% (2021 - 20%) applied to the pessimistic scenario, and 20% (2021 - 20%) applied to the optimistic scenario. The economic scenarios used in the determination of ECL's at December 31, 2022 and December 31, 2021 include the following ranges of macroeconomic factors:

2022

	12 month Forecast			5 year Forecast		
% change [1]	Baseline	Upside	Downside	Baseline	Upside	Downside
Canadian equity index	2.96%	12.87%	-16.83%	21.60%	29.57%	1.73%
Canadian unemployment rate	18.04%	-6.08%	48.82%	14.12%	9.80%	18.82%
Canadian oil price	-12.97%	-10.60%	-22.87%	-24.22%	-21.03%	-24.41%

2021

	12 month Forecast			5 year Forecast		
% change [1]	Baseline	Upside	Downside	Baseline	Upside	Downside
Canadian equity index	-5.11%	5.40%	-15.54%	9.51%	17.33%	3.99%
Canadian unemployment rate	-6.60%	-26.37%	9.35%	-0.74%	-7.20%	-0.10%
Canadian oil price	-15.32%	-9.47%	-28.51%	-8.95%	-1.06%	-12.85%

[1] The %change represents the change in the macroeconomic factor as a %difference from the most recent publicly available result as of December 31, 2021 and December 31, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Definition of credit-impaired

The Credit Union's definition of default is consistent across credit management and accounting policies. A financial asset is "credit impaired" (Stage 3) when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- a restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

e) Write-off policy

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

ii. Non-financial assets

At each reporting date, the Credit Union reviews its non-financial assets to determine whether there are any indicators of impairment. If such indicators exist, an impairment test is performed to compare the carrying value of the assets to their recoverable amount. Goodwill is tested for impairment annually regardless of whether an impairment indicator exists.

The recoverable amount is the higher of its fair value less costs to sell, if determinable, and the value-in-use. Value-in-use is estimated based on discounted net cash flows from continuing use and the ultimate disposal of an asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows. Goodwill arising from a business combination is allocated to the cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the combination.

If the carrying value of an asset or cash-generating unit exceeds the recoverable amount, an impairment loss equal to the difference is recognized in the consolidated statement of comprehensive income.

Impairment losses on goodwill are never reversed. For other non-financial assets, an impairment loss may be reversed in subsequent periods only to the extent that the asset's carrying value does not exceed what it would have been, net of amortization, had no impairment loss occurred.

E. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Credit Union has access at that date.

When available, the Credit Union measures the fair value of a financial instrument using the quoted price (unadjusted) in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Credit Union uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Credit Union classifies the fair value measurement of its financial instruments using a three-tier fair value hierarchy, based on the lowest level input that is significant to that fair value measurement:

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

F. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at call with other financial institutions and other short-term highly liquid investments with original maturities of three months or less.

G. Foreclosed property held for resale

Foreclosed property held for resale consists of land, buildings and other assets acquired through foreclosure on defaulted loans. Foreclosed property is included within loans and advances in the consolidated statement of financial position and is measured at the lower of: (1) the outstanding balance of the loan at the date foreclosure/repossession plus subsequent costs incurred; (2) fair value less estimated costs of disposal.

H. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, labour and any other costs, including borrowing costs, directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components). Additions and subsequent expenditures are capitalized if they enhance the future economic benefits expected to be derived from the assets. All other costs are expensed as part of general business expenses.

Depreciation of property and equipment is recognized using the straight-line method to write down the cost of the assets to their residual values over their estimated useful lives. Land is not depreciated. Depreciation expense is included in either general business expense or occupancy expense in the consolidated statement of comprehensive income based on the nature and use of the underlying asset. Gains or losses arising on disposal of property and equipment are included in other income.

The estimated useful lives by major category of property and equipment are as follows:

Buildings	10 to 40 years
Leasehold improvements	5 to 10 years
Computer equipment	4 to 5 years
Other	2 to 15 years

Estimates of residual values and useful lives are reviewed annually and adjusted if appropriate.

I. Investment property

Investment property consists of land and buildings held to earn rental income. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Property held for use in the supply of service to members or for administrative use that has a portion that earns rental income is allocated between investment property and property and equipment, based on the floor space usage.

Depreciation is recorded in general business expense in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life, commencing in the month the asset becomes available for use. The estimated useful lives of investment property are determined on the same basis as those of property and equipment above. Depreciation methods, residual values and estimates of useful lives are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Goodwill

Goodwill is measured as the excess of the fair value of consideration given over the Credit Union's proportionate share of the fair value of the net identifiable assets acquired in a business combination at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses, if any.

K. Intangible assets

Intangible assets with a finite life are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortization is calculated using the straight-line method over the estimated useful life of the asset and is recorded under general business expenses in the consolidated statement of comprehensive income.

The estimated useful lives by major category of intangible assets are as follows:

Credit card customer relationship	15 years
Software	3 to 5 years
Other	10 to 20 years

Estimates of residual values and useful lives are reviewed annually and adjusted if appropriate.

The Credit Union does not have any intangible assets with indefinite lives and has not recognized any internally generated intangible assets.

L. Leases

i. As lessee

The Credit Union classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration. With the exception of certain short-term and low-value leases, the Credit Union recognizes a lease liability and right-of-use asset for all leases at commencement.

Lease liabilities are initially measured at the present value of the future lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Credit Union's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based upon a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain that the Credit Union will exercise the option. Variable lease payments which are not based upon a rate or index are excluded from the measurement of the lease liability and are recognized in occupancy expense as they are incurred.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right-of-use assets are subsequently depreciated on a straight-line basis over the term of the lease or the estimated useful life of the asset determined on the same basis as the Credit Union's other property and equipment noted above, whichever is shorter. Right-of-use assets are included within property and equipment in the consolidated statement of financial position with deprecation being recognized in occupancy expense in the consolidated statement of comprehensive income.

Changes in facts and circumstances which impact the future lease payments, including whether an option is reasonably certain to be exercised, result in a remeasurement of the lease liability. When a remeasurement occurs, a corresponding adjustment is made to 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 below zero.

ii. As lessor

At inception, the Credit Union classifies a lease which transfers substantially all of the risks and rewards incidental to ownership of the underlying asset as a finance lease. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For operating leases, the Credit Union recognizes lease payments received as income on a straight-line basis over the term of the lease within other income.

The Credit Union has not entered into any finance leases as a lessor.

M. Membership shares and equity accounts

Membership shares and equity accounts are redeemable upon withdrawal or termination of membership, subject to set-off by the Credit Union for any debt of the member. Under *The Act*, there is no provision for holders of membership shares or equity accounts to receive the remaining property of the Credit Union upon liquidation or dissolution. These terms and conditions result in membership shares and equity accounts being classified as liabilities in the consolidated statement of financial position.

N. Provisions

A provision is recognized if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the present value of the expected amount required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

O. Commissions and fee income

Commissions and fee income arising from contracts with customers is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Credit Union recognizes its commissions and fees as revenue when it transfers control over a product or service to a customer.

The following is a description of the principal activities from which the Credit Union generates its commissions and fees including the nature of performance obligations, the timing of when these obligations are satisfied and the determination of the transaction price:

- **Service fees and loan fees:** consists of fees paid by members in exchange for transaction processing and other support services relating to deposit and/or loan accounts. These activities are typically ad-hoc in nature with revenue recognition and payment occurring upon completion of the requested task.
- **Loan insurance commissions:** consists of commissions earned from selling loan insurance products on behalf of third parties. The Credit Union's performance obligation is limited to the initial sale of the insurance product with revenue being recognized at the point-in-time that the contract is signed between the member and the insurer.
- **Credit card fees:** consists of interchange fees and annual fees earned from the Credit Union's various credit card programs. Annual fees are paid at the beginning of the annual contractual period and are recognized as revenue over time as the Credit Union provides the cardholder access to the credit card programs.

  Interchange fees are collected at the time a purchase is made by the cardholder and is allocated between two distinct services: payment processing and a reward points program. The transaction price allocated to payment processing is recognized at the point-in-time that each transaction is completed.

  The transaction price allocated to the rewards points program is initially recognized as a liability based on the stand-alone selling price per point and the expected point redemptions. The stand-alone selling price per point is estimated based on the actual cost of goods/services offered as rewards under the program relative to the points required to be redeemed to acquire those goods/services. The expected point redemptions are based on the Credit Union's historical experience. Revenue is then recognized over time as point redemptions are made.
- **Wealth management fees:** consists primarily of commissions and fees earned through sales of mutual funds to members. The transaction price for wealth management fees is, in part, based on the total assets under management of the Credit Union's member referrals and is therefore highly dependent upon factors outside of the Credit Union's control. Consequently, revenue from wealth management services is recognized over the relevant contractual period as referrals are made and the uncertainty of the transaction price is resolved.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Employee benefits

Short-term employee benefits including salaries and wages, statutory payroll contributions, paid annual vacation leave and bonuses are accounted for on an accrual basis over the period in which the employee provided the related services.

Termination benefits are recognized when the Credit Union is committed to terminating the employment of a current employee according to a formal plan without possibility of withdrawal.

Post-employment benefits consist of fixed contributions made to a defined contribution superannuation plan, which provides benefits for employees upon retirement or death. The Credit Union has no financial interest in the plan and has no legal or constructive obligation to the plan beyond the payment of these contributions. The total contributions made by the Credit Union to the plan during the year which are included within personnel expense is $4,904 (2021 - $4,895).

Employee benefits are recognized within personnel expenses in the consolidated statement of comprehensive income.

Accrued and unpaid amounts are included in accounts payable and other liabilities in the consolidated statement of financial position.

Q. Income taxes

Income tax expense comprises current and deferred tax and is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is measured using tax rates that are expected to be in effect in the period the asset is realized, or the liability is settled, based on the tax rate and tax laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same authority on the same taxable entity.

R. Foreign currency

Monetary assets or liabilities denominated in foreign currencies are translated to Canadian dollars at the rate of exchange on the reporting date. Income and expenses denominated in foreign currencies are translated to Canadian dollars at the average rate of exchange throughout the year. Gains or losses arising on the translation of foreign currencies are recorded in other income on the consolidated statement of comprehensive income.

T. Business combinations

Business combinations are accounted for using the acquisition method of accounting. For every business combination, an acquirer is identified, which is the entity that obtains control of the acquired entity. The effective date of the business combination is the date the acquirer gains control of the acquired entity. The identifiable assets and liabilities of the acquired entity are measured at fair value at the acquisition date. The excess of the consideration transferred over the fair values of the identifiable net assets is recognized as goodwill. Acquisition related costs are expensed as incurred. When a business combination is achieved in stages, the Credit Union’s previously held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in profit or loss.

(In thousands of CDN $)

4. ACCOUNTING CHANGES

A. Current accounting changes

Changes to IFRS standards which became effective in 2022 include various minor changes and amendments to existing standards. These changes have all been reviewed to determine their effect on the Credit Union. It has been determined that none of these minor changes and amendments resulted in any significant changes to the consolidated financial statements of the Credit Union.

The International Accounting Standards Board (IASB) published an agenda decision in April 2021 regarding software as a service arrangements (SaaS). The conclusion was that configuration and customization costs incurred in SaaS service arrangements should be recognized as an expense, unless the criteria for recognizing a separate asset are met. The Credit Union analyzed all of it's SaaS arrangements and the criteria for a separate asset are not met therefore all costs are expensed as incurred.

5. CASH AND CASH EQUIVALENTS

	2022	**2021**
Cash on hand	23,978	23,410
Deposits at call - SaskCentral	11,323	35,763
Deposits at call - Other	112,592	224,674
	147,893	283,847
Restricted cash	13,562	13,711
Total cash and cash equivalents	161,455	297,558

Restricted cash is comprised of cash reserves for the Credit Union's securitization programs, credit card settlement accounts held in trust, and collateral posted for derivatives. Restricted cash is not available for use in the Credit Union's day-to-day operations.

(In thousands of CDN $)

6. INVESTMENT SECURITIES

	Classification	2022	2021
Debt Securities			
SaskCentral			
Redeemable statutory liquidity deposits	FVTPL	186,698	283,884
Non-redeemable statutory liquidity deposits	Amortized Cost	390,578	269,391
Chartered banks			
Canadian	FVOCI	469,379	396,581
US	Amortized Cost	29,601	28,013
		1,076,256	977,869
Accrued interest		5,577	2,053
Allowance for credit losses		(236)	(82)
Total debt securities		1,081,597	979,840
Equity securities			
SaskCentral shares	FVOCI	42,904	40,151
Investment funds	FVTPL	62,222	50,713
Total equity securities		105,126	90,864
Total investment securities		1,186,723	1,070,704
Investment securities by measurement category:			
FVTPL		248,920	334,597
FVOCI		516,002	438,138
Amortized cost		421,801	297,969

7. LOANS AND ADVANCES

	2022			2021		
	Principal	Allowance	Net	Principal	Allowance	Net
Consumer loans						
Residential mortgage guaranteed	1,168,293	(2,572)	1,165,721	1,233,495	(523)	1,232,972
Residential mortgage conventional	997,550	(348)	997,202	916,633	(299)	916,334
Non mortgage and credit cards	659,174	(5,700)	653,474	655,304	(4,384)	650,920
Commercial loans						
Mortgage	1,814,266	(23,572)	1,790,694	1,826,964	(23,870)	1,803,094
Non mortgage	477,945	(6,319)	471,626	476,402	(11,057)	465,345
Government guaranteed	66,096	(266)	65,830	71,904	(187)	71,717
Loans and advances, net of allowance	5,183,324	(38,777)	5,144,547	5,180,702	(40,320)	5,140,382
Foreclosed property held for resale			10,372			4,356
Accrued interest receivable			22,302			23,730
Total loans and advances			5,177,221			5,168,468

(In thousands of CDN $)

8. ALLOWANCE AND PROVISION FOR CREDIT LOSSES

	2022			
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance, beginning of year	98	265	459	822
Allowance for credit losses (recoveries)				
Re-measurement	12	193	3,515	3,720
Newly originated or purchased assets	32	-	-	32
Derecognized financial assets and maturities	(7)	(20)	(1)	(28)
Transfer to (from):				
Stage 1	(11)	11	-	-
Stage 2	58	(60)	2	-
Stage 3	-	-	-	-
Total provision for credit losses (recoveries)	84	124	3,516	3,724
Write-offs	-	-	(1,680)	(1,680)
Recoveries	-	-	54	54
Balance, end of year	182	389	2,349	2,920
Consumer non mortgage loans				
Balance, beginning of year	1,913	2,220	1,219	5,352
Allowance for credit losses (recoveries)				
Re-measurement	59	1,000	2,229	3,288
Newly originated or purchased assets	821	-	-	821
Derecognized financial assets and maturities	(209)	(237)	(301)	(747)
Transfer to (from):				
Stage 1	(325)	322	3	-
Stage 2	524	(545)	21	-
Stage 3	2	7	(9)	-
Total provision for credit losses (recoveries)	872	547	1,943	3,362
Write-offs	-	-	(2,249)	(2,249)
Recoveries	-	-	589	589
Total allowance for credit losses	2,785	2,767	1,502	7,054
Less: allowance for undrawn commitments (Note 19)	(1,027)	(326)	(1)	(1,354)
Balance, end of year	1,758	2,441	1,501	5,700
Commercial loans				
Balance, beginning of year	193	2,987	32,642	35,822
Allowance for credit losses (recoveries)				
Re-measurement	(400)	1,187	12,973	13,760
Newly originated or purchased assets	189	-	-	189
Derecognized financial assets and maturities	(17)	(529)	(553)	(1,099)
Transfer to (from):				-
Stage 1	(153)	86	67	-
Stage 2	447	(646)	199	-
Stage 3	155	392	(547)	-
Total provision for credit losses (recoveries)	221	490	12,139	12,850
Write-offs	-	-	(18,642)	(18,642)
Recoveries	-	-	696	696
Total allowance for credit losses	414	3,477	26,835	30,726
Less: allowance for undrawn commitments (Note 19)	(210)	(153)	(206)	(569)
Balance, end of year	204	3,324	26,629	30,157

(In thousands of CDN $)

8. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Residential mortgages				
Balance, beginning of year	53	116	827	996
Allowance for credit losses (recoveries)				
Re-measurement	17	180	1,343	1,540
Newly originated or purchased assets	10	-	-	10
Derecognized financial assets and maturities	(5)	(8)	(1)	(14)
Transfer to (from):				
Stage 1	(5)	5	-	-
Stage 2	28	(28)	-	-
Stage 3	-	-	-	-
Total provision for credit losses (recoveries)	45	149	1,342	1,536
Write-offs	-	-	(1,781)	(1,781)
Recoveries	-	-	71	71
Balance, end of year	98	265	459	822
Consumer non mortgage loans				
Balance, beginning of year	1,217	851	1,559	3,627
Allowance for credit losses (recoveries)				
Re-measurement	(273)	779	2,044	2,550
Changes in models/methodologies	682	765	1	1,448
Newly originated or purchased assets	339	-	-	339
Derecognized financial assets and maturities	(132)	(91)	(335)	(558)
Transfer to (from):				
Stage 1	(146)	145	1	-
Stage 2	226	(232)	6	-
Stage 3	-	3	(3)	-
Total provision for credit losses (recoveries)	696	1,369	1,714	3,779
Write-offs	-	-	(2,671)	(2,671)
Recoveries	-	-	617	617
Total allowance for credit losses	1,913	2,220	1,219	5,352
Less: allowance for undrawn commitments (Note 19)	(719)	(248)	(1)	(968)
Balance, end of year	1,194	1,972	1,218	4,384
Commercial loans				
Balance, beginning of year	217	4,267	22,687	27,171
Allowance for credit losses (recoveries)				
Re-measurement	(1,429)	238	27,306	26,115
Newly originated or purchased assets	1,163	-	-	1,163
Derecognized financial assets and maturities	(22)	(1,246)	(973)	(2,241)
Transfer to (from):				-
Stage 1	(1,160)	395	765	-
Stage 2	648	(740)	92	-
Stage 3	776	73	(849)	-
Total provision for credit losses (recoveries)	(24)	(1,280)	26,341	25,037
Write-offs	-	-	(16,615)	(16,615)
Recoveries	-	-	229	229
Total allowance for credit losses	193	2,987	32,642	35,822
Less: allowance for undrawn commitments (Note 19)	(116)	(207)	(385)	(708)
Balance, end of year	77	2,780	32,257	35,114

(In thousands of CDN $)

8. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

The following table summarizes the provision for credit losses included in the consolidated statement of comprehensive income for the year:

	2022	2021
Residential mortgages	3,724	1,536
Consumer non mortgage loans	3,362	3,779
Commercial loans	12,880	25,037
Investment securities	154	(97)
Total provision for credit losses	20,120	30,255

9. DERIVATIVE FINANCIAL INSTRUMENTS

	Maturities of derivatives (notional amount)					Net fair value			
				2022	2021	2022		2021	
	Under 1 year	1 to 5 years	Over 5 years	Total	Total	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	2,107	2,107	129,599	-	-	1,033	1,333
Index-linked options	15,528	99,427	-	114,955	109,678	6,148	6,148	7,232	7,232
Interest rate swaps designated as fair value hedges	-	-	14,259	14,259	10,404	1,365	46	26	115
Total	15,528	99,427	16,366	131,321	249,681	7,513	6,194	8,291	8,680

A. Types of derivative financial instruments

Interest rate swaps

The Credit Union enters into interest rate swaps with Concentra Bank and Desjardins to manage exposure to interest rate risk. Interest rate swaps are contractual agreements between two parties to exchange a series of cash flows based on agreed upon rates to a notional amount. Generally, counterparties exchange a fixed and floating interest rate payment to manage exposure to interest rate risk by modifying the interest rate characteristics of assets or liabilities.

Index-linked options

The Credit Union offers index-linked deposit products to its members that pay interest to the depositors at the end of the term, based on stock market index performance. The Credit Union has entered into index-linked options with SaskCentral and Desjardins that have equivalent maturities to offset the exposure associated with these products. The Credit Union pays a fixed amount based on the notional amount at the inception of the index-linked option contract. At the end of the term the Credit Union receives from SaskCentral and Desjardins payments equal to the amount that will be paid to the depositors based on the performance of the respective indices.

B. Hedge accounting

Fair value hedges

In accordance with the Credit Unions risk management strategy, it may enter into interest rate swap contracts to mitigate the risk of changes in interest rates on the fair value of long-term fixed rate commercial loans. These exposures are identified and hedged on a loan by loan basis.

The Credit Union hedges the benchmark interest rate risk component which is an observable and reliably measurable component of interest rate risk. Specifically the Credit Union has designated fair value hedge relationships to hedge against movements in the Government of Canada benchmark bond yields. The Credit Union manages all other risks derived by these exposures, such as credit risk, but they do not apply hedge accounting for these risks.

(In thousands of CDN $)

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Once a fixed rate commercial loan greater than five years is granted, the Credit Union enters into an interest rate swap with matching, or nearly matching critical terms.

The Credit Union assesses prospective hedge effectiveness by comparing the changes in fair value of the loans granted resulting from movements in the benchmark interest rate with the changes in fair value of the interest rate swaps used to hedge the exposure.

The Credit Union determines the hedge ratio by comparing the notional amount of the derivative with the principal of the loan granted. If the loan granted has an amortizing principal the Credit Union enters into interest rate swaps with an equivalent amortizing notional.

The Credit Union has identified the following possible sources of ineffectiveness:

- The use of derivatives as a protection against interest rate risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimized by entering into derivatives with high credit quality counterparties.
- Fair value of embedded call options on certain loans intended to provide the Credit Union with the ability to intervene should a loan experience a significant deterioration in credit quality (protective rights).
- Pricing spread and other fees charged on hedging derivatives.
- Difference in the timing of settlement of the hedging derivatives and hedged loans.

No other sources of ineffectiveness were identified in these hedge relationships.

The following tables summarize the derivatives designated as hedging instruments and the amounts relating to hedged items in qualifying fair value hedge relationships:

	2022				
	Notional amount of hedging instrument	Carrying value of hedging instrument		Line item in the statement of financial position where hedging instrument is recorded	Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Interest Rate Risk					
Derivatives	14,259	1,365	46	Derivative assets Derivative liabilities	1,164

	2022			
	Carrying value of hedged item	Accumulated fair value of hedged risks included in carrying value	Line item in the statement of financial position where hedging instrument is recorded	Changes in fair value used for calculating hedge ineffectiveness
Interest Rate Risk				
Commercial Loans	14,261	(1,193)	Loans and advances	(1,198)

During the period, designated derivatives were highly effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the hedged loans were adjusted by ($1,193) (2021 – $5), which was recognized in other income at the same time as the fair value of the hedging derivatives.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

C. Offsetting derivative financial instruments

The derivatives entered into by the Credit Union are subject to International Swap and Derivatives Association Master Agreements (ISDAs) with its derivative counterparties which define the rights and obligations of the Credit Union with respect to offsetting/netting derivative positions.

The right of offset is conditional upon the default of the counterparty or occurrence of other predetermined events and therefore do not meet the net/simultaneous settlement criteria that would allow for the offsetting of assets and liabilities in the consolidated statement of financial position until such time that the relevant conditions are met. If these netting arrangements were enforceable at year end, the potential impact would be $1,365 (2021 - $1,059) of derivative assets being offset against derivative liabilities in the consolidated statement of financial position.

10. TRANSFERS OF FINANCIAL ASSETS

A. Securitizations not qualifying for derecognition

Mortgage-Backed Securities
The Credit Union participates in the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (MBS) program where the Credit Union assigns all legal rights, interest and title in certain insured residential mortgages to CMHC in exchange for MBS securities which are then sold to third party investors.

The securitized mortgages are subject to prepayment, in full or in part, and thus the future cash flows related to the transferred assets are uncertain including the amount of prepayment penalties paid by the borrower. The Credit Union remains exposed to this variability through the difference between the return on the insured residential mortgages and the interest and indemnities paid on the related MBS certificates (retained interest). As a result, the sale of the MBS certificates does not transfer substantially all of the risks and rewards of ownership and the underlying mortgages continue to be recognized in the consolidated statement of financial position with matching securitization liabilities being established based on the proceeds received on the date of the transfer.

The Credit Union also retains certain amounts of these issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2022 residential mortgages of $134.4 million (2021 – $nil) with a fair value of $125.0 million (2021 – $nil) were assigned to NHA MBS certificates and retained by the Credit Union. These unsold NHA MBS certificates are reported as loans and advances on the consolidated statement of financial position.

Auto Loan Securitization
The Credit Union sells co-ownership interests in a revolving pool of auto loans to Pivot Trust, an intermediate securitization vehicle. Pivot Trust funds the purchases through a third party loan which is secured by the specifically pledged co-ownership interests. The Credit Union continues to service the loans post-transfer in exchange for the excess spread generated by the securitization vehicle and provides a limited credit enhancement to the third party loan in the form of overcollateralization.

The Credit Union has determined that it controls Pivot Trust as it is exposed to the majority of the entity’s variable returns through the excess spread and credit enhancement and acts as servicer thereby directing the relevant activities which most significantly impact Pivot Trust’s returns. Accordingly, the Credit Union consolidates Pivot Trust resulting in the transferred assets and secured loan being recognized in the consolidated statement of financial position within loans and advances and securitization liabilities respectively.

(In thousands of CDN $)

10. TRANSFERS OF FINANCIAL ASSETS (continued)

Summary of securitized assets and securitization liabilities

	Fair Value		Carrying Value	
	2022	2021	2022	2021
Mortgage-backed securities				
Securitized residential mortgages	402,300	461,232	426,283	467,796
Securitization liabilities	273,088	459,321	291,266	465,547
Net position	129,212	1,911	135,017	2,249
Auto loans securitization				
Securitized auto loans	72,717	72,748	82,501	80,209
Securitization liabilities	74,473	73,534	76,745	74,613
Net position	(1,756)	(786)	5,756	5,596
Total securitization liabilities	347,561	532,855	368,011	540,160

B. Derecognized loan syndications

The Credit Union syndicates and transfers loans to various other financial institutions primarily to create liquidity, manage credit risk and manage regulatory capital. The investors have no recourse against the Credit Union for any fair value or credit losses experienced on the syndicated loans which results in the Credit Union transferring substantially all of the risks and rewards. The transfer of risks and rewards results in these syndications qualifying for derecognition and the Credit Union has therefore removed the transferred financial loans from its consolidated statement of financial position.

All loans are syndicated on a fully serviced basis. The Credit Union receives a fee for continuing to service the loans post-transfer which is expected to adequately compensate it for its cost of servicing. These servicing arrangements are therefore accounted for as executory contracts and the Credit Union has not recognized a servicing asset or liability in its consolidated statement of financial position.

The following table provides quantitative information about these derecognized syndications and the Credit Union's continuing involvement. Included in the following table is quantitative information on loans serviced through the Canada Emergency Benefit Account (CEBA) with an outstanding balance of $109,779 (2021 - $125,433).

	2022	2021
Syndication Activity		
Principal balance of loans syndicated and derecognized during the year	9,196	43,893
Loss on loans syndicated and derecognized during the year	3	-
Continuing Involvement		
Outstanding principal balance of derecognized loans subject to servicing agreements at year end	413,159	482,510
Cumulative servicing income earned on derecognized loans during the year	1,182	1,209

(In thousands of CDN $)

11. PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Computer Equipment	Other	Total
Cost						
Balance at December 31, 2020	7,901	95,080	14,116	12,369	7,775	137,241
Acquisitions through business combination	-	-	31	7	245	283
Additions	-	661	1,964	1,694	413	4,732
Disposals	(17)	(269)	(2,049)	(851)	(593)	(3,779)
Balance at December 31, 2021	7,884	95,472	14,062	13,219	7,840	138,477
Additions	-	897	368	1,678	199	3,142
Disposals	-	(255)	(109)	(623)	(468)	(1,455)
Balance at December 31, 2022	7,884	96,114	14,321	14,274	7,571	140,164
Accumulated depreciation						
Balance at December 31, 2020	-	25,430	8,868	7,434	4,570	46,302
Disposals	-	(157)	(731)	(810)	(593)	(2,291)
Depreciation	-	3,452	1,060	1,941	1,112	7,565
Balance at December 31, 2021	-	28,725	9,197	8,565	5,089	51,576
Disposals	-	(80)	(109)	(623)	(468)	(1,280)
Depreciation	-	3,486	866	1,977	1,022	7,351
Balance at December 31, 2022	-	32,131	9,954	9,919	5,643	57,647
Net Book Value						
Balance at December 31, 2021	7,884	66,747	4,865	4,654	2,751	86,901
Balance at December 31, 2022	7,884	63,983	4,367	4,355	1,928	82,517

12. INVESTMENT PROPERTY

	2022	2021
Cost		
Balance, beginning of year	10,757	10,648
Additions	13	109
Balance, end of year	10,770	10,757
Accumulated depreciation		
Balance, beginning of year	575	192
Depreciation	387	383
Balance, end of year	962	575
Carrying value, end of year	**9,808**	**10,182**

The fair value of the investment property above as at December 31, 2022 is $10,730 (2021 - $10,748). The fair value has been arrived at on the basis of a valuation completed by management.

The fair value was determined using an income approach, based on current and future income that could be generated by the investment property through rents based on estimated market rates. In estimating the fair value of the investment property, the highest and best use of the investment property is the current use.

(In thousands of CDN $)

12. INVESTMENT PROPERTY (continued)

A summary of the unobservable inputs (Level 3) used to determine the fair value of the investment property is as follows:

Income Approach	2022	2021
Rent per square foot	$25-$44	$25-$44
Parking rates per month	$175-$235	$150-$220
Vacancy rate	1.02%	2.66%
Capitalization rate	5.73%	5.58%

13. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Software	Credit card relationship	Other	Total
Cost					
Balance at December 31, 2020	1,234	11,572	8,832	1,672	23,310
Acquistions through business combination	-	-	-	51	51
Additions	-	2,487	-	400	2,887
Disposals	-	(1,714)	-	-	(1,714)
Balance at December 31, 2021	1,234	12,345	8,832	2,123	24,534
Additions	-	2,859	-	-	2,859
Disposals	-	(1,334)	-	-	(1,334)
Balance at December 31, 2022	1,234	13,870	8,832	2,123	26,059
Accumulated amortization					
Balance at December 31, 2020	-	7,647	1,737	787	10,171
Disposals	-	(1,714)	-	-	(1,714)
Amortization	-	942	580	186	1,708
Balance at December 31, 2021	-	6,875	2,317	973	10,165
Disposals	-	(1,334)	-	-	(1,334)
Amortization	-	844	579	188	1,611
Balance at December 31, 2022	-	6,385	2,896	1,161	10,442
Net Book Value					
Balance at December 31, 2021	1,234	5,470	6,515	1,150	14,369
Balance at December 31, 2022	1,234	7,485	5,936	962	15,617

The carrying amount of intangible assets includes assets under development at December 31, 2022 of $6,194 (2021- $4,182).

14. DEPOSITS

	2022	2021
Demand	3,267,553	3,201,755
Term	1,516,035	1,489,733
Registered plans	787,369	763,064
	5,570,957	5,454,552
Accrued interest	20,642	10,805
Total deposits	5,591,599	5,465,357

15. BORROWINGS

SaskCentral line of credit

The Credit Union has two authorized lines of credit with SaskCentral in the amount of $95,000 (2021 - $95,000) and $7,000 in U.S. funds (2021 - $7,000). The interest rate on both lines of credit is the SaskCentral prime interest rate plus or minus the applicable discount or margin. A General Security Agreement and an assignment of book debts are pledged as security on both lines of credit. At the end of the year, the amount outstanding was $19,894 (2021 - $nil).

Desjardins revolving facility

The Credit Union has a revolving credit facility with Desjardins, with a maximum credit available of $150,000 (2021 - $150,000). The credit facility is structured as either due on demand or repayable for periods of one to three months for each advance. Interest is calculated and depends on the facility, security and duration chosen. The credit facility is secured by collateral in the form of insured residential mortgages with a carrying value of $150,005 (2021 - $150,002). At the end of the year, the amount outstanding was $nil (2021 - $nil).

16. MEMBERSHIP SHARES AND EQUITY ACCOUNTS

Membership shares and equity accounts are as provided for by *The Act* and administered according to the bylaws and policy of the Credit Union, which sets out the rights, privileges, restrictions and conditions. The Credit Union is authorized to issue an unlimited number of membership shares with a par value of $5 (not in thousands) per share. Membership shares are non-transferable and are redeemable at par value.

Member equity accounts represent amounts allocated from the Credit Union's retained earnings to individual members. In accordance with *The Act*, member equity accounts rank equally with membership shares issued by the Credit Union. These accounts are not guaranteed by *the Corporation*.

Allocations from retained earnings are approved annually by the Board of Directors on the basis of patronage. Patronage allocations are credited either to members' equity accounts or in the form of cash distributions.

The Credit Union has a no-fee account for members called a No-Fee chequing account. This account provides significant, ongoing financial benefits to members of the Credit Union and is the primary alternative for the distribution of excess earnings back to members.

The following table summarizes share capital information:

	2022	**2021**
Membership shares		
Balance, beginning of year	658	645
New membership shares issued	48	42
Membership shares redeemed	(31)	(29)
Balance, end of year	675	658
Member equity accounts		
Balance, beginning of year	13,787	15,223
Patronage cash distributions paid to members	(1,177)	(1,436)
Balance, end of year	12,610	13,787
Total membership shares and equity accounts	**13,285**	**14,445**

(In thousands of CDN $)

17. LEASES

A. Right-of-use assets

	Land	Buildings	Other	Total
Cost				
Balance at January 1, 2021	3,232	15,653	4,882	23,767
Acquisitions through business combination	-	-	69	69
Additions	-	5,270	383	5,653
Disposals	-	(2,323)	(231)	(2,554)
Balance at December 31, 2021	3,232	18,600	5,103	26,935
Additions	-	1,189	106	1,295
Disposals	-	(1,827)	(75)	(1,902)
Balance at December 31, 2022	3,232	17,962	5,134	26,328
Accumulated depreciation				
Balance at January 1, 2021	72	3,800	235	4,107
Disposals	-	(2,286)	(224)	(2,510)
Depreciation	36	1,385	210	1,631
Balance at December 31, 2021	108	2,899	221	3,228
Disposals	-	(684)	(68)	(752)
Depreciation	36	1,404	316	1,756
Balance at December 31, 2022	144	3,619	469	4,232
Net book value				
Balance at December 31, 2021	3,124	15,701	4,882	23,707
Balance at December 31, 2022	3,088	14,343	4,665	22,096

B. Lease payments and expense

	2022	2021
Interest expense on lease liabilities	744	808
Expenses relating to short-term leases and low value assets	35	32
Expenses relating to variable lease payments	1,133	904
Total amounts recognized in profit or loss	**1,912**	**1,744**
Repayment of lease liabilities	1,462	1,366
Total cash outflow for leases	**3,374**	**3,110**

The variable lease payments that are not included in the calculation of the lease liability include operating costs associated with the lease that are not based on an index or rate. The lease liability carrying value as at December 31, 2022 is $20,054 (2021 - $21,477).

(In thousands of CDN $)

18. NON-CONTROLLING INTERESTS

The following table summarizes the financial information relating to the Credit Union's subsidiaries that have a non-controlling interest (NCI), before any intra-group eliminations:

	2022	2021
CVC Fund 1 LP		
NCI percentage	**21.05%**	**21.05%**
Assets	28,339	27,670
Liabilities	282	28
Net assets	28,057	27,642
Carrying value of NCI	5,907	5,819
Revenue	3,400	12,912
Expenses	531	471
Net income for the year	2,869	12,441
Net income allocated to NCI	604	2,619
Emmertech Fund 1 LP		
NCI percentage	**81.31%**	**81.31%**
Assets	10,423	2,911
Liabilities	1,646	66
Net assets	8,777	2,845
Carrying value of NCI	7,136	2,313
Revenue	261	-
Expenses	601	246
Net loss for the year	(340)	(246)
Net loss allocated to NCI	(276)	(200)
Total carrying value of NCI	13,043	8,132
Total net income allocated to NCI	328	2,419

19. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022	2021
Settlement items in-transit	36,894	30,608
Payroll related amounts	8,461	9,158
Other payables	8,567	6,305
Unclaimed balances	1,103	1,119
Total accounts payable	55,025	47,190
Credit card reward points liability	4,591	5,473
Allowance for undrawn commitments (Note 8)	1,923	1,676
Other deferred income	366	349
Total accounts payable and other liabilities	61,905	54,688

(In thousands of CDN $)

20. INTEREST INCOME AND INTEREST EXPENSE

	2022	2021
Interest income		
Loans and advances	202,345	193,393
Investment securities	19,126	7,657
Cash and cash equivalents	3,805	1,180
Total interest income	225,276	202,230
Interest expense		
Deposits	59,820	31,022
Securitization liabilities	11,714	14,730
Other	1,221	2,533
Total interest expense	72,755	48,285
Net interest income	152,521	153,945
Interest income and (expense) recognized using the effective interest method:		
Financial assets at amortized cost	210,645	196,992
Financial assets at FVOCI	9,250	4,188
Financial liabilities at amortized cost	(72,755)	(48,285)

21. COMMISSIONS AND FEE INCOME

	2022	2021
Revenue recognized at a point-in-time		
Service fees	8,207	7,562
Loan fees	3,551	5,694
Loan insurance fees	3,078	3,331
Payment and credit card revenue	1,493	836
Other	1,484	1,315
Revenue recognized over time		
Income from equity method investments	1,733	630
Payment and credit card revenue	773	776
Syndicated loan revenue	689	803
Wealth management income	13,835	13,338
Other	1,451	1,247
Total commissions and fee income	**36,294**	**35,532**

(In thousands of CDN $)

22. OTHER INCOME

	2022	2021
Unrealized and realized gains on FVTPL investment securities	7,552	21,706
Unrealized and realized gains on derivative financial instruments	5,487	3,980
Ineffective portion of unrealized (losses) on fair value hedge (Note 9)	(34)	(64)
Realized (losses) gains on loans and advances	3	(887)
Total gain on financial instruments	13,008	24,735
Dividend income[1]	69,052	1,536
Canada Emergency Wage Subsidy	-	4,070
Other	6,882	4,907
Total other income	**88,942**	**35,248**

(1) Includes a $68.77 million dividend distribution from SaskCentral which is also included in accounts receivable on the Consolidated Statement of Financial Position

23. INCOME TAX

	2022	2021
Components of income tax expense:		
Current income tax expense on profit for current year	7,165	11,731
Deferred income tax recovery on origination and reversal of temporary differences	(61)	(91)
	7,104	11,640
Income taxes included in other comprehensive income:		
Net unrealized gains (losses) on FVOCI investment securities		
Current income tax (recovery) expense	(2,802)	(761)
	(2,802)	(761)
Total income tax reported in the consolidated financial statements:	**4,302**	**10,879**

(In thousands of CDN $)

23. INCOME TAX (continued)

	2022	2021
Reconciliation of income tax expense:		
Profit before income tax	98,646	48,080
Combined federal and provincial income tax rate	27.0%	27.0%
Income taxes at statutory rate	26,634	12,982
Income tax expense adjusted for the effect of:		
Non-deductible expenses	79	33
Non-taxable dividend income	(18,643)	(311)
Partnership income attributable to non-controlling interest	(89)	(653)
Prior year true-up adjustments	(95)	(53)
Other	(782)	(358)
	7,104	11,640
Effective rate of tax	7%	24%

	2022	2021
The deferred tax asset is comprised of the following:		
Allowance for credit losses	3,177	3,007
Lease liabilities	5,413	5,789
Total deferred tax assets	8,590	8,796
The deferred tax liability is comprised of the following:		
Property and equipment	1,446	1,444
Intangible assets	1,746	1,950
Right of use assets	5,131	5,548
Loans and advances	600	540
Other	424	132
Total deferred tax liability	9,347	9,614
Net deferred tax (liability) asset	**(757)**	**(818)**

24. CAPITAL MANAGEMENT

The Credit Union manages capital in accordance with its capital management plan and Board approved capital policies. The capital management plan is developed in accordance with the regulatory capital framework and is reviewed and approved annually by the Audit and Conduct Review Committee of the Board of Directors.

Credit Union Deposit Guarantee Corporation (*the Corporation*), the regulator of Saskatchewan credit unions, has prescribed capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by *the Corporation* have been based on the Basel III capital standards framework established by the Bank for International Settlements and adopted by financial institutions around the globe, including Canadian banks. The Credit Union has been designated as a provincial systemically important financial institution (P-SIFI) and is subject to a common equity tier 1 capital surcharge of 1% of risk-weighted assets. The surcharge will require P-SIFI's to maintain larger capital reserves and a greater ability to absorb losses. The goal of this capital surcharge is to reflect the greater impact that the failure of a P-SIFI may have on the provincial financial system and economy. The capital surcharge will be periodically reviewed by *the Corporation* in light of national and international developments.

The Corporation currently prescribes four standardized tests to assess the capital adequacy of credit unions: total eligible capital to risk-weighted assets (risk-weighted capital ratio); common equity tier 1 capital to risk-weighted assets; total tier 1 capital to risk-weighted assets; and minimum leverage ratio. Regulatory standards require credit unions designated as a P-SIFI to maintain minimum capital adequacy tests as follows: risk-weighted capital ratio of 11.5% (2021 - 11.5%), common equity tier 1 capital to risk-weighted assets of 8.0% (2021 - 8.0%), total tier 1 capital to risk-weighted assets of 9.5% (2021 - 9.5%) and minimum leverage ratio of 5.0% (2021 - 5.0%).

(In thousands of CDN $)

24. CAPITAL MANAGEMENT (continued)

Risk-weighted assets are calculated in accordance with the rules established by *the Corporation* for balance sheet and off-balance sheet risks. Credit risk, derivatives and off-balance sheet commitments, and operational risk are considered in calculating risk-weighted assets. Based on the prescribed risk of each type of asset, a weighting is assigned.

Common equity tier 1 capital is defined as a credit unions' primary capital and is comprised of 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 charge. Common equity tier 1 capital at the Credit Union includes retained earnings, contributed surplus, and AOCI. Total tier 1 capital is common equity tier 1 capital less deductions for goodwill, intangible assets, unconsolidated substantial investments and certain deferred tax assets. Tier 2 capital at the Credit Union includes the stage 1 and stage 2 ECL to a maximum of 1.25% of risk-weighted assets and qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 2 capital.

The risk-weighted capital ratio is calculated as the sum of total tier 1 and tier 2 capital divided by risk-weighted assets. The minimum leverage ratio is calculated as the sum of total tier 1 and tier 2 capital divided by total assets less deductions from capital plus specified off-balance sheet exposures.

The following table summarizes information about the Credit Union's capital and key ratios:

	2022	2021
Eligible capital		
Common equity tier 1 capital before deductions	665,650	584,367
Total tier 2 capital	23,493	22,205
Total eligible capital before deductions	689,143	606,572
Deductions from eligible capital		
Intangible assets	14,383	13,135
Goodwill	1,234	1,234
Investments in associates	1,734	511
Total deductions from eligible capital	17,351	14,880
Total eligible capital	671,792	591,692
Total risk-weighted assets	4,023,296	3,861,233
Total eligible capital to risk-weighted assets	16.70%	15.32%
Common equity tier 1 capital to risk-weighted assets	16.11%	14.75%
Total tier 1 capital to risk-weighted assets	16.11%	14.75%
Leverage ratio	9.79%	8.77%

The Corporation also prescribes an internal capital adequacy assessment process (ICAAP) to address unique credit union conditions. ICAAP is an integrated process that evaluates capital adequacy and is used to establish capital targets that take into consideration the strategic direction (business plan) and risk appetite of the credit union. ICAAP seeks to identify the material risks requiring capital and quantify the amount of capital that should be held in relation to those risks. Enterprise-wide stress testing and scenario analysis are also used to assess the impact of various stress conditions on the Credit Union's risk profile and capital requirements.

If a credit union is not in compliance with *the Corporation* Standards or Regulatory Guidance Documents including capital requirements, *the Corporation* may take any necessary action. Necessary action may include, but is not limited to:

- Reducing or restricting a credit union's authorities and limits;
- Subjecting a credit union to preventative intervention;
- Issuing a compliance order;
- Placing a credit union under supervision or administration; or
- Issuing an amalgamation order

Throughout 2022 and 2021, the Credit Union complied with all internal and external capital requirements.

25. FINANCIAL RISK MANAGEMENT

The following note presents information about the Credit Union's exposure to risks from its financial instruments and the objectives, policies and processes for measuring and managing risk.

A. Credit risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its obligations and arises principally from the Credit Union's loans and advances to customers and debt investment securities.

i. Objectives, policies and processes

The Board of Directors is responsible for the oversight of credit risk and establishes policies governing the lending practices of the Credit Union. The Credit Union has established a separate department, the Credit Management Centre (CMC), to manage the Credit Union's credit risk including the following key activities:

- Developing lending policies for the Credit Union's two major portfolios (consumer and commercial) covering collateral requirements, credit assessments, risk ratings and reporting requirements.
- Defining parameters for credit diversification by setting prudent limits for credit exposures by loan type, borrower industry and connected borrowers.
- Establishing an appropriate delegation of authority for the approval of new loans and renewals. Credit requests above the CMC limits are referred to the Executive Credit Committee (ECC) for approval.
- Providing approval and underwriting support to lenders for loans that are considered to be complex, unusual, higher risk or problematic.
- Developing and maintaining an internal risk rating framework and credit review process to ensure regular monitoring of loans within the portfolio and enhanced monitoring for loans which carry a higher than average risk.

Each business unit is required to implement the above noted credit policies and procedures established by the CMC with credit approval authorities delegated from the Board of Directors. Regular audits of business units and credit processes are undertaken by Internal Audit.

ii. Risk measurement

For its loans and advances, the Credit Union uses an internal credit risk rating system designed to assess and measure the risk inherent within its portfolio. The internal risk rating system considers both qualitative and quantitative factors to assess the credit worthiness of the borrower and quality of collateral underlying the loan. When making loans to individuals or closely held businesses, the Credit Union will supplement its internal risk rating assessment with credit scores provided by credit reporting agencies. Risk ratings are updated annually as part of the normal credit review process or more frequently whenever facts and circumstances indicate a decline in the credit quality of the loan. External credit scores are updated quarterly as part of the Credit Union's ECL calculation.

For investments and derivatives, the Credit Union relies on external ratings provided by the Dominion Bond Rating Service to assess credit risk and has established processes and procedures to monitor the credit ratings of its counterparties on a monthly basis.

The following table provides an overview/summary of the Credit Union's risk rating framework:

Risk Categorization	Commercial loan (internal risk ratings)	Consumer loan (external credit scores)	Investment securities and derivatives (external ratings)
Low	1 - 6	> 660	AAA – BBB
Moderate	7	429 - 660	BB – CCC
High	8	< 429	< CCC

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

The following table sets out the information about the credit quality of the Credit Union's non-derivative financial assets and undrawn commitments by risk rating category, excluding statutory liquidity deposits and equity investments:

2022

	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Low risk:	1,644,448	332,619	-	1,977,067
Moderate risk:	-	182,237	-	182,237
High risk:	-	-	6,539	6,539
Total residential mortgages	1,644,448	514,856	6,539	2,165,843
Allowance for credit losses	(182)	(389)	(2,349)	(2,920)
Consumer non mortgage loans				
Low risk:	484,668	112,541	-	597,209
Moderate risk:	1,262	58,113	-	59,375
High risk:	-	-	2,590	2,590
Total consumer non mortgage loans	485,930	170,654	2,590	659,174
Allowance for credit losses	(1,758)	(2,441)	(1,501)	(5,700)
Commercial loans				
Low risk:	1,715,731	490,623	-	2,206,354
Moderate risk:	-	79,446	-	79,446
High risk:	-	-	72,507	72,507
Total commercial loans	1,715,731	570,069	72,507	2,358,307
Allowance for credit losses	(204)	(3,324)	(26,629)	(30,157)
Undrawn Commitments				
Low risk:	1,040,852	104,517	-	1,145,369
Moderate risk:	1,020	9,352	-	10,372
High risk:	-	-	7,316	7,316
Total undrawn commitments	1,041,872	113,869	7,316	1,163,057
Allowance for credit losses	(1,246)	(479)	(206)	(1,931)
Debt securities (excluding statutory liquidity)				
Low risk:	833,862	-	-	833,862
Total debt securities (excluding statutory liquidity)	833,862	-	-	833,862
Allowance for credit losses	(236)	-	-	(236)

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

2021	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Low risk:	1,622,677	336,249	-	1,958,926
Moderate risk:	-	184,336	-	184,336
High risk:	-	-	6,866	6,866
Total residential mortgages	1,622,677	520,585	6,866	2,150,128
Allowance for credit losses	(98)	(265)	(459)	(822)
Consumer non mortgage loans				
Low risk:	488,764	108,455	-	597,219
Moderate risk:	1,576	54,387	-	55,963
High risk:	-	-	2,122	2,122
Total consumer non mortgage loans	490,340	162,842	2,122	655,304
Allowance for credit losses	(1,194)	(1,972)	(1,218)	(4,384)
Commercial loans				
Low risk:	1,640,310	530,828	-	2,171,138
Moderate risk:	-	108,425	-	108,425
High risk:	-	-	95,707	95,707
Total commercial loans	1,640,310	639,253	95,707	2,375,270
Allowance for credit losses	(77)	(2,780)	(32,257)	(35,114)
Undrawn Commitments				
Low risk:	965,950	110,441	-	1,076,391
Moderate risk:	1,130	10,469	-	11,599
High risk:	-	-	12,163	12,163
Total undrawn commitments	967,080	120,910	12,163	1,100,153
Allowance for credit losses	(835)	(455)	(386)	(1,676)
Debt securities (excluding statutory liquidity)				
Low risk:	646,543	-	-	646,543
Total debt securities (excluding statutory liquidity)	646,543	-	-	646,543
Allowance for credit losses	(82)	-	-	(82)

In addition to the items above, the Credit Union has cash of $112,592 (2021 - $224,674) on deposit with highly rated financial institutions that maintain a minimum rating of BBB (2021 – BBB).

For derivative financial instruments, credit risk is limited to the positive fair values of the instruments as this represents the cost to replace these contracts at prevailing market rates if a default occurred. Consequently, the derivative assets recognized in the consolidated statement of financial position represent the gross credit exposure of the Credit Union as at December 31, 2022 for these financial instruments. The Credit Union mitigates exposures by limiting the counterparties to interest rate contracts to three counterparties (Desjardins, SaskCentral and Concentra) who maintain a minimum rating of A (2021 – A). In determining the credit quality of derivative instruments both the Credit Union’s own credit risk and the risk of the counterparty are considered elements of the credit quality.

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

iii. Collateral

The Credit Union has documented policies and procedures in place for the valuation of financial and non-financial collateral. Valuations of collateral are performed periodically to ensure they remain reasonable. The collateral and other credit enhancements held by the Credit Union as security for loans include:

- mortgages over residential lots and properties,
- recourse to business assets such as real estate, equipment, inventory and accounts receivable,
- recourse to the commercial real estate properties being financed, and
- recourse to liquid assets, guarantees and securities.

In some cases, the Credit Union obtains third-party guarantees and insurance to reduce the risk of loan default. In total, 22% (2021 - 22%) of the Credit Union's loan portfolio is guaranteed by a federal government program or agency. The largest of these guarantees is in the residential mortgage portfolio, which is guaranteed by either Sagen at 13% (2021 - 13%) or Canada Mortgage and Housing Corporation (CMHC), a government owned corporation, at 8% (2021 - 8%). Other noteworthy guarantors include the Government of Canada's Canada Small Business Financing Program (CSBFP) for small business loans at 1% (2021 - 1%) and the Government of Canada's Canadian Agricultural Loans Act (CALA) program for farm improvement loans at 1% (2021 - 1%) of total loans.

The following table summarizes the outstanding loan balances by type of collateral held as security ranked in descending order of quality. In instances where a loan has multiple forms of collateral, it has been grouped based on the highest quality collateral held:

	2022	2021
Fully secured by government guarantee or default insurance	1,101,569	1,119,699
Fully or partially secured by tangible mortgage assets [1]	3,144,166	3,147,124
Fully or partially secured by tangible non mortgage assets	649,314	633,037
Unsecured	288,275	280,842
	5,183,324	5,180,702

(1) Includes both loans and lines of credit secured by mortgage assets

The below table outlines additional information with respect to collateral for credit-impaired (stage 3) and foreclosed loans:

	2022	2021
Credit-impaired (Stage 3) loans		
Fair value of collateral held as security for stage 3 loans	78,310	87,148
Stage 3 loans without an allowance due to adequate security	36,266	34,089
Foreclosed loans		
Assets acquired via enforcement of security during the year	17,990	11,411
Contractual amount outstanding on financial assets written off still subject to enforcement activity	12,823	2,351

The Credit Union has estimated the fair value of collateral based on management's knowledge of local real estate market conditions and on an updated assessment of the security appraisal, where appropriate. It is not practical to disclose all possession of collateral the Credit Union holds as security due to the variety and number of assets. The policy of the Credit Union is to sell the assets at the earliest reasonable opportunity after measures to assist the customer to repay the debts have been exhausted.

B. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in external market prices. The primary market risk exposure of the Credit Union is interest rate risk, specifically, from timing differences in the re-pricing of assets and liabilities, both on and off-balance sheet. The Credit Union's currency risk primarily arises from U.S. dollar deposits made by members.

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

i. Objectives, policies and processes

The Board of Directors provides oversight for the management of market risk through the establishment of specific policies and risk limits. These limits are based on the impact of a change in interest rates on annual net interest income and economic value of members' equity. Limits are also based on the aggregate holdings in unhedged on-balance sheet foreign currency.

The Management Risk Committee (MRC) is responsible for establishing targets related to interest rate risk and currency risk in accordance with Board policy. The MRC provides ongoing monitoring of the Credit Union's market risk position through various tools and processes discussed further below.

ii. Risk measurement

Interest rate risk

The impact of movements in interest rates on the financial position and earnings of the Credit Union is measured through a number of sophisticated tests, namely: income simulation, static gap analysis, value at risk (economic value of equity) and duration analysis. Using rate sensitivity analysis with probable rate scenarios, interest rate risk is managed to comply with the Credit Union's policy requirement. For 2022, the Credit Union's interest rate risk was within acceptable levels, as measured by Board approved parameters.

Stress testing and scenario analysis is performed and measured in relation to policy limits as part of the monthly interest rate risk simulation process. These tests include the effects of most likely and stressed movements in interest rates on the financial position of the Credit Union and its current and projected net earnings. Interest rate risk stress testing includes illustrating the impact of the most likely scenario (based on the Credit Union's rate forecast), a flat rate scenario, declining rate scenario (3% decline in prime rate over one year to a floor of 0%), rising rate scenario (3% increase in prime rate over one year), a shock down of 100 basis points as well as 300 basis points, and a shock up of 100 basis points (100 basis points is equal to 1 percent) as well as 300 basis points. Key interest rate risk simulation assumptions are documented and included in the monthly interest rate risk simulation package. Key assumptions are reviewed and updated based on changing internal and external factors monitored by management.

The following table illustrates the potential impact of an immediate and sustained 100 basis point change in interest rates on net income, other comprehensive income and economic value of equity. These measures are based upon assumptions made by management such as asset growth and funding mix.

	2022	2021
100-basis-point increase in interest rate:		
Impact on net income	6,715	9,414
Impact on other comprehensive income	(9,441)	(7,106)
Impact on economic value of equity	-7.53%	-7.29%
100-basis-point decrease in interest rate:		
Impact on net income	(1,713)	(6,531)
Impact on other comprehensive income	9,883	7,415
Impact on economic value of equity	7.88%	7.62%

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

The following table illustrates the potential impact of a 300 basis point change in interest rates on net income and other comprehensive income in 2022. The measure is based upon assumptions made by management such as asset growth and funding mix.

	2022	2021
300-basis-point increase in interest rate:		
Impact on net income	19,714	26,903
Impact on other comprehensive income	(27,096)	(20,464)
Impact on economic value of equity	-21.62%	-20.92%
300-basis-point decrease in interest rate:		
Impact on net income	(14,411)	(29,984)
Impact on other comprehensive income	31,095	14,421
Impact on economic value of equity	24.74%	16.31%

The following table details the Credit Union's exposure to interest rate risk as measured by the mismatch or gap, between the maturities or re-pricing dates of interest rate sensitive assets and liabilities, which have been reflected in the stress testing results above:

2022								
	Yield	Floating	1 to under 3 months	3 months to under 1 year	1 year to under 5 years	5 years and over	Non-interest sensitive	Total
Assets								
Cash and cash equivalents	3.53%	132,893	-	-	-	-	28,562	161,455
Investment securities	2.53%	196,698	61,912	303,337	413,047	101,261	110,468	1,186,723
Loans and advances	4.55%	862,621	327,145	1,013,642	2,796,824	98,899	78,090	5,177,221
Derivative financial instruments	-	-	185	1,222	4,742	1,364	-	7,513
Other non-interest sensitive assets	-	-	-	-	-	-	227,944	227,944
Total assets		1,192,212	389,242	1,318,201	3,214,613	201,524	445,064	6,760,856
Liabilities								
Deposits	2.00%	2,262,889	1,343,045	1,169,753	791,173	7,138	17,601	5,591,599
Securitization liabilities	2.80%	-	19,369	132,066	188,688	29,387	(1,499)	368,011
Borrowings	5.95%	19,894	-	-	-	-	-	19,894
Derivative financial instruments	-	-	185	1,222	4,742	45	-	6,194
Lease liabilities	3.61%	-	222	1,116	6,530	12,186	-	20,054
Other non-interest sensitive liabilties	-						89,454	89,454
Total liabilities		2,282,783	1,362,821	1,304,157	991,133	48,756	105,556	6,095,206
Total members' equity		-	-	-	-	-	665,650	665,650
Asset/liability gap		(1,090,571)	(973,579)	14,044	2,223,480	152,768	(326,142)	-
Notional amount of derivatives								
Pay side instruments	2.39%	-	(1,418)	(14,110)	(99,427)	(16,366)	-	(131,321)
Receive side instruments	4.52%	-	17,784	14,110	99,427	-	-	131,321
Off balance sheet gap		-	16,366	-	-	(16,366)	-	-
Interest rate gap position		(1,090,571)	(957,213)	14,044	2,223,480	136,402	(326,142)	-

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

2021								
	Yield	Floating	1 to under 3 months	3 months to under 1 year	1 year to under 5 years	5 years and over	Non-interest sensitive	Total
Assets								
Cash and cash equivalents	0.33%	246,467	-	-	-	-	51,091	297,558
Investment securities	1.16%	313,885	105,452	154,751	358,779	45,003	92,834	1,070,704
Loans and advances	3.62%	957,070	255,411	1,037,286	2,735,573	86,947	96,181	5,168,468
Derivative financial instruments	-	-	721	1,430	5,082	1,058	-	8,291
Other non-interest sensitive assets	-	-	-	-	-	-	160,460	160,460
Total assets		1,517,422	361,584	1,193,467	3,099,434	133,008	400,566	6,705,481
Liabilities								
Deposits	0.48%	2,208,393	1,503,259	1,176,378	566,375	3,546	7,406	5,465,357
Securitization liabilities	2.23%	-	15,905	119,164	395,168	12,172	(2,249)	540,160
Derivative financial instruments	-	-	721	1,873	5,374	712	-	8,680
Lease liabilities	3.75%	-	233	1,156	6,689	13,399	-	21,477
Other non-interest sensitive liabilties	-	-	-	-	-	-	85,440	85,440
Total liabilities		2,208,393	1,520,118	1,298,571	973,606	29,829	90,597	6,121,114
Total members' equity		-	-	-	-	-	584,367	584,367
Asset/liability gap		(690,971)	(1,158,534)	(105,104)	2,125,828	103,179	(274,398)	-
Notional amount of derivatives								
Pay side instruments	1.79%	-	(6,269)	(82,317)	(103,592)	(57,503)	-	(249,681)
Receive side instruments	0.44%	-	146,272	8,783	94,626	-	-	249,681
Off balance sheet gap		-	140,003	(73,534)	(8,966)	(57,503)	-	-
Interest rate gap position		(690,971)	(1,018,531)	(178,638)	2,116,862	45,676	(274,398)	-

Re-pricing dates are based on the earlier of maturity or the contractual re-pricing date and effective interest rates, where applicable, represent the weighted average effective yield.

Currency risk:

The Credit Union measures currency risk based on the percentage of foreign denominated financial assets against similar foreign denominated financial liabilities on a daily basis. As at December 31, 2022, the percentage of foreign denominated financial assets is 101% (2021 - 105%) of foreign denominated financial liabilities, which is within acceptable levels, as measured by Board approved parameters.

Board policy for foreign currency risk tolerance limits aggregate holdings in unhedged on-balance sheet foreign currency to 2% of eligible capital. Investment securities permitted under the investment management policy may be purchased and held in U.S. dollars for the purpose of hedging U.S. dollar liabilities.

C. Liquidity risk

Liquidity risk arises from having insufficient funds to meet obligations as they come due at a reasonable cost. Liquidity risk stems from mismatched cash flows between assets and liabilities as well as firm commitments including commitments to extend credit and lease payments.

i. Objectives, policies and processes

The Risk Committee of the Board provides oversight for the management of liquidity risk through the establishment of relevant policies and risk limits. Board policies establish the level of acceptable liquidity risk and the Credit Union's processes and controls for managing liquidity with respect to the level of liquid assets, quality of liquid assets, concentration limits, cash flow mismatch limits and procedural control requirements with respect to measuring and monitoring liquidity risk.

25. FINANCIAL RISK MANAGEMENT (continued)

The policies and limits are, in part, based on the Liquidity Adequacy Requirements and Liquidity Risk Management Principles prescribed by *the Corporation* which outline the guiding principles for an effective liquidity management framework and establish the minimum requirements for the quantity and quality of liquid assets that the Credit Union is required to maintain.

Oversight of liquidity risk and ongoing liquidity management is the responsibility of MRC, which is mandated to monitor limits with respect to liquidity in accordance with Board policy. Annually management prepares a liquidity risk management plan which includes:

- Establishing strategies and policies for managing liquidity risk;
- Maintaining a portfolio of high quality liquid assets;
- Measuring and monitoring short-term and long-term funding requirements;
- Managing diversification and market access to funds;
- Stress testing and contingency planning; and
- Internal controls over management practices and processes.

Fundamental to the Credit Union's liquidity management framework is the assessment of the adequacy of liquidity under both normal operating conditions and stressed conditions. Stress conditions encompass both systemic and idiosyncratic events. The Credit Union maintains a Recovery Plan, which includes a number of recovery options and strategies to preserve and/or bolster liquidity in periods of extreme stress.

The Enterprise Risk Management (ERM) department is responsible for monitoring and reviewing compliance with established liquidity policies and procedures and the interdependence of liquidity risk to other organizational risks such as strategic risk and credit risk. A periodic review is also conducted by Internal Audit on the liquidity management processes and systems of the Credit Union.

ii. Risk measurement

Stress testing and scenario analysis is performed to assess the adequacy of liquidity. Contingency plans address liquidity management under scenario events and stressed conditions. Stress and scenario conditions include larger than predicted deposit withdrawals and borrowing levels, as well as market disruptions resulting in limited to no access to capital markets.

Liquidity risk is also measured with reference to the liquidity adequacy measures and minimum liquidity requirements prescribed by *the Corporation* based on the Basel III liquidity adequacy standards established by the Bank for International Settlements and adopted by financial institutions around the globe, including Canadian banks. The primary measures for liquidity adequacy at the Credit Union include the liquidity ratio, liquid asset ratio (LAR), liquidity coverage ratio (LCR), and the net cumulative cash flow (NCCF).

The liquidity ratio is calculated as available liquidity and cash inflows divided by cash outflows. Available liquidity is defined as investment securities that are immediately available as cash, investment securities marketable in an active secondary market, redeemable investment securities. The Credit Union seeks to maintain this ratio at greater than or equal to 150%.

The LAR measures current liquid assets as a percentage of total assets. The Credit Union seeks to maintain this ratio greater than or equal to 3%.

The LCR is calculated as the stock of high quality liquid assets (HQLA) divided by net cash outflows over a 30-day stress scenario. The Credit Union seeks to maintain this ratio greater than or equal to 120%. HQLA are assets that can be easily converted into cash at little or no loss of value and includes eligible investments held as liquidity reserve deposits at SaskCentral. *The Corporation* defines the LCR in the Standards of Sound Business Practices – Liquidity Adequacy Requirements, by grouping HQLA into either Level 1 or Level 2 categories and applying various weightings to reflect their value in stressed conditions. Level 1 assets are the highest quality assets whereas Level 2 assets are considered less liquid.

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

Net cash outflows is defined as total expected cash outflows minus total expected inflows; various categories of outflows are applied run-off rates while inflows are multiplied by rates they are expected to flow in under a stressed scenario. Regulatory standards require credit unions to maintain a minimum liquidity coverage ratio of 100%. The Credit Union maintains internal liquidity adequacy targets that exceeded regulatory requirements.

NCCF measures cash outflows and inflows under stressed conditions and ultimately determines a survival time horizon based on these cash flows. *The Corporation* has not yet prescribed NCCF adequacy requirements.

The following table summarized the Credit Union's liquidity coverage ratio at December 31:

	December 31, 2022		December 31, 2021	
	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
High-quality liquid assets				
Level 1 assets				
Cash and cash equivalents	39,885	39,885	79,989	79,989
SaskCentral - statutory liquidity deposits	276,117	276,117	325,456	325,456
Total Level 1 assets	316,002	316,002	405,445	405,445
Level 2A assets				
SaskCentral - statutory liquidity deposits	56,421	47,958	38,928	33,088
Total Level 2A assets	56,421	47,958	38,928	33,088
Level 2B assets				
SaskCentral - statutory liquidity deposits	157,570	78,785	113,724	56,861
Overage factor	-	14,557	-	-
Total Level 2B assets	157,570	64,228	113,724	56,861
Total high-quality liquid assets	**529,993**	**428,188**	**558,097**	**495,394**
Cash Outflows				
Retail and small business deposits	3,233,230	129,616	3,196,963	164,304
Unsecured wholesale funding	2,297,244	303,776	2,257,589	319,401
Secured funding run-off	19,894	4,974	-	-
Additional requirements	1,190,740	104,056	1,138,451	69,479
Total cash outflows	6,741,108	542,422	6,593,003	553,184
Cash inflows				
Retail and small business customers	18,065	9,033	17,553	8,776
Other wholesale inflows	12,691	6,345	14,495	7,248
Receivable from financial institutions	123,069	123,069	217,569	217,569
Other contractual inflows	140,319	140,319	6,731	6,731
Total cash inflows	294,144	278,766	256,348	240,324
Total net cash outflows	**6,446,964**	**263,656**	**6,336,655**	**312,860**
Liquidity coverage ratio		**162.40%**		**158.34%**

(In thousands of CDN $)

25. FINANCIAL RISK MANAGEMENT (continued)

The following table summarizes the Credit Union's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities with agreed repayment periods. The table has been prepared using undiscounted cash flows of financial liabilities based on the earliest date on which the Credit Union can be required to pay.

The gross nominal cash flows represent the contractual undiscounted cash flows relating to the principal and interest on the financial liability. The amounts included below for variable interest rate instruments is subject to changes if variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. Commitments to extend credit and undrawn lines of credit are classified by the earliest funding time frame provided by contract.

	2022						
Liabilities	**Less than 1 year**	**1 year to under 2 years**	**2 years to under 3 years**	**3 years to under 4 years**	**4 years to under 5 years**	**5 years and over**	**Total**
Borrowings	19,894	-	-	-	-	-	19,894
Deposits	4,014,531	967,297	490,814	71,914	79,698	17,600	5,641,854
Lease liabilities	2,034	2,004	1,955	1,966	1,714	24,621	34,294
Secured debt	22,377	144,859	17,907	150,098	18,938	29,387	383,566
Membership shares and member equity accounts	13,285	-	-	-	-	-	13,285
Accounts payable and other liabilities	61,905	-	-	-	-	-	61,905
	4,134,026	1,114,160	510,676	223,978	100,350	71,608	6,154,798

Off-balance sheet items	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1-5 years**	**5 years and over**	**Total**
Undrawn lines of credit	408,377	-	-	-	-	408,377
Commitments to extend credit	748,172	-	-	-	-	748,172
	1,156,549	-	-	-	-	1,156,549

	2021						
Liabilities	**Less than 1 year**	**1 year to under 2 years**	**2 years to under 3 years**	**3 years to under 4 years**	**4 years to under 5 years**	**5 years and over**	**Total**
Deposits	4,095,616	769,364	503,297	69,301	30,451	7,406	5,475,435
Lease liabilities	2,149	2,039	2,019	1,976	1,992	26,334	36,509
Secured debt	144,102	187,044	166,322	26,674	22,331	12,172	558,645
Membership shares and member equity accounts	14,445	-	-	-	-	-	14,445
Accounts payable and other liabilities	54,688	-	-	-	-	-	54,688
	4,311,000	958,447	671,638	97,951	54,774	45,912	6,139,722

Off-balance sheet items	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1-5 years**	**5 years and over**	**Total**
Undrawn lines of credit	412,466	-	-	-	-	412,466
Commitments to extend credit	680,994	-	-	-	-	680,994
	1,093,460	-	-	-	-	1,093,460

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Summary of valuation methods and assumptions

The Credit Union uses a variety of valuation techniques to measure the fair value of its financial instruments including the use of relevant market prices (Level 1) and valuation models which rely on both observable (Level 2) and unobservable (Level 3) inputs based on information available at the reporting date. Due to the use of subjective judgement and uncertainties, the aggregate fair value amounts disclosed in the consolidated financial statements should not be interpreted as necessarily being realizable in an immediate settlement or sale. The following is a summary of the methods and assumptions that were used to estimate fair values of financial instruments:

Cash and cash equivalents, accounts receivable and accounts payable are all short-term in nature and as such, their carrying values are assumed to approximate fair value.

The fair values of debt securities are based on quoted market prices when available. Alternatively, fair values are determined using discounted cash flow calculations based on interest rates being offered for similar investment securities or quoted market prices of similar investments.

The fair value of shares in SaskCentral are equal to the fixed redemption price as they are non-transferrable, and the credit risk of the issuer is very low.

The fair value of investment funds is based on the net asset values quoted by the fund managers. Due to the illiquid nature of the underlying assets held within these funds (private equity investments), the determination of the net asset value requires the use of significant unobservable inputs such as cash flow forecasts, discount rates and earnings multiples which results in these assets being classified at Level 3 in the fair value hierarchy.

The fair value of variable interest rate loans that reprice frequently is assumed to be approximated by the carrying values. For all other loans, the fair value is estimated using discounted cash flow calculations at market interest rates for groups of loans with similar terms and credit risk.

The fair value of deposits with variable interest rates or which are due on demand, is assumed to be approximated by the carrying value. For all other deposits, fair value is estimated using a discounted cash flow calculation based on current market interest rates for similar deposit offerings.

The Credit Union's borrowings consist of lines of credit which are due on demand and term loan facilities that reprice frequently. The fair value of these items is therefore assumed to equal the carrying value.

Fair values for securitization liabilities are estimated using discounted cash flow calculations at market interest rates for similar terms.

The fair value of derivative financial instruments is estimated by reference to the appropriate current market yields with matching terms to maturity. The fair values reflect the estimated amounts that the Credit Union would receive or pay to terminate the contracts at the reporting date.

(In thousands of CDN $)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

B. Fair value hierarchy

The following table summarizes the fair values and carrying values of the Credit Union's financial instruments, including the level within which they are classified in the fair value hierarchy, with the exception of financial instruments measured at amortized cost whose carrying value is a reasonable approximation of fair value:

2022	Carrying value	Fair value	Difference	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
Financial assets at FVTPL						
Derivative assets	7,513	7,513	-	-	7,513	-
Investment securities	248,920	248,920	-	-	186,698	62,222
Financial assets at FVOCI						
Investment securities	516,002	516,002	-	-	516,002	-
Financial assets at amortized cost						
Investment securities	421,801	415,843	(5,958)	-	415,843	-
Loans and advances	5,169,095	4,987,424	(181,671)	-	4,987,424	-
Total financial assets	6,363,331	6,175,702	(187,629)	-	6,113,480	62,222
Financial liabilities at FVTPL						
Derivative liabilities	6,194	6,194	-	-	6,194	-
Financial liabilities at amortized cost						
Deposits	5,591,599	5,475,287	(116,312)	-	5,475,287	-
Securitization liabilities	368,011	347,585	(20,426)	-	347,585	-
Borrowings	19,894	19,894	-	-	19,894	-
Total financial liabilities	5,985,698	5,848,960	(136,738)	-	5,848,960	-

2021	Carrying value	Fair value	Difference	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
Financial assets at FVTPL						
Derivative assets	8,291	8,291	-	-	8,291	-
Investment securities	334,597	334,597	-	-	283,884	50,713
Financial assets at FVOCI						
Investment securities	438,138	438,138	-	-	438,138	-
Financial assets at amortized cost						
Investment securities	297,969	296,755	(1,214)	-	296,755	-
Loans and advances	5,164,365	5,105,487	(58,878)	-	5,105,487	-
Total financial assets	6,243,360	6,183,268	(60,092)	-	6,132,555	50,713
Financial liabilities at FVTPL						
Derivative liabilities	8,680	8,680	-	-	8,680	-
Financial liabilities at amortized cost						
Deposits	5,465,357	5,413,686	(51,671)	-	5,413,686	-
Securitization liabilities	540,160	532,855	(7,305)	-	532,855	-
Total financial liabilities	6,014,197	5,955,221	(58,976)	-	5,955,221	-

There were no transfers between Level 1, Level 2 and/or Level 3 in 2022 or 2021.

(In thousands of CDN $)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

C. Level 3 Financial Instruments

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value.

December 31, 2022

	Opening balance	Transfers	Purchases	Redemptions	Realized gain/(loss)	Unrealized gain/(loss)	Ending balance
Private equity fund investment	50,713	-	15,160	(11,203)	8,052	(500)	62,222
	50,713	-	15,160	(11,203)	8,052	(500)	62,222

December 31, 2021

	Opening balance	Transfers	Purchases	Redemptions	Realized gain/(loss)	Unrealized gain/(loss)	Ending balance
Private equity fund investment	25,819	-	10,709	(7,521)	2,047	19,659	50,713
	25,819	-	10,709	(7,521)	2,047	19,659	50,713

The fair value of Level 3 assets and liabilities is determined using management's judgements about the appropriate value of unobservable inputs. Due to the unobservable nature of the inputs used, there may be uncertainty about the valuation of Level 3 assets and liabilities. Management has used a range of reasonably possible alternative assumptions to determine the sensitivity of the fair value to these inputs and the resulting potential impact on Level 3 assets/liabilities as at December 31 is shown in the table below:

Description	Fair value as at December 31, 2022	Valuation technique	Unobservable input
Private equity fund investment	62,222	Asset-based	% of assets
		Capitalized income	Capitalization rate
		Cash flow multiple	Enterprise Value (EV)/Net Operating Income (NOI)
		Cost	% variance
		Discounted cash flow	Discounted rate
		Multiple of book value	Book value multiple
		Multiple of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) multiple
		Production multiple	Enterprise value (EV)/barrels of oil equivalent per day
		Recent financing	Transaction price
		Sum of parts	% variance
		Transaction	% variance

Description	Fair value as at December 31, 2021	Valuation technique	Unobservable input
Private equity fund investment	50,713	Asset-based	% of assets
		Capitalized income	Capitalization rate
		Cash flow multiple	Enterprise Value (EV)/Net Operating Income (NOI)
		Cost	% variance
		Discounted cash flow	Discounted rate
		Multiple of book value	Book value multiple
		Multiple of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) multiple
		Production multiple	Enterprise value (EV)/barrels of oil equivalent per day
		Recent financing	Transaction price
		Sum of parts	% variance
		Transaction	% variance

(In thousands of CDN $)

27. CONTINGENT LIABILITIES AND COMMITMENTS

A. Litigation and other contingencies

In the ordinary course of business, the Credit Union has legal proceedings brought against it and provisions are recorded when it becomes probable that the Credit Union will incur a loss and the amount can be reliably measured. It is the opinion of management that final determination of these claims will not have a material adverse impact on the Credit Union.

B. Commitments

Loan commitments

The following amounts represent the maximum amount of additional credit that the Credit Union could be obligated to extend at December 31:

	2022	2021
Undrawn lines of credit	408,377	412,466
Commitments to extend credit	748,172	680,994
Letters of credit	6,508	6,693
	1,163,057	1,100,153

Statutory liquidity deposits

Pursuant to Regulation 18(1)(a), of *The Credit Union Regulations, 1999*, SaskCentral and the Corporation requires that the Credit Union maintain 10% of its total liabilities in specified liquidity deposits in SaskCentral. As of December 31, 2022, the Credit Union has met the requirement (2021 – requirement met).

Subsequent changes in the total liabilities of the Credit Union may result in a commitment to purchase additional statutory liquidity deposits.

SaskCentral membership

The bylaws of SaskCentral require the Credit Union to maintain membership shares in an amount equal to no less than 0.6% to a maximum of 1.0% of the Credit Union's assets. As a result, the Credit Union shall, following the December 31 each fiscal year and no later than June 30 of the following fiscal year, purchase or sell additional membership shares to maintain the limits prescribed by the SaskCentral bylaws.

Currently the Credit Union holds $42,904 in membership shares of SaskCentral, or 24.4% (2021 - $40,151; 22.9%) of the total issued and outstanding membership shares. Based on the Credit Union's total assets as at December 31, 2022 the Credit Union has an outstanding commitment to purchase $nil (2021 – purchase $82) of additional shares in SaskCentral.

Investment funds

As at December 31, 2022 the Credit Union is contractually committed to invest to purchase an additional $13,637 (2021 - $19,417) of units in specified investment funds to facilitate the purchase of additional assets by the fund (capital call). As the purchase price of the units will be based on the fair value of the fund on the date of the capital call, the fair value of the purchase commitment is $nil and consequently no amount has been provided for in the consolidated statement of financial position.

Collateral requirements

In the ordinary course of business, the Credit Union has the obligation to post collateral to related counterparties for derivatives if the fair value of the derivatives falls below a pre-determined threshold. The pre-determined threshold is established in the Credit Support Annex schedule (CSA) of the ISDAs, which are entered into with each derivative counterparty. As at December 31, 2022 the pre-determined threshold was no longer triggered under the Credit Union ISDAs and CSAs (2021 - $1,460).

(In thousands of CDN $)

27. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Other commitments

The Credit Union has various other commitments that include community investments, information technology and maintenance contracts. Total other commitments are as follows:

2023	12,219
2024	4,232
2025	3,139
2026	2,874
2027	596
Thereafter	266
Total other commitments	**23,326**

28. RELATED PARTY TRANSACTIONS

Related parties of the Credit Union include subsidiaries, associates and joint ventures, key management personnel, close family members of key management personnel and entities controlled or subject to significant influence by key management personnel.

A. Associates and joint venture

The Credit Union provides banking and support services to its associate CU Dealer Finance Corp. These services include technology support, accounting, human resources, property management, marketing and communications and general management support. These transactions were conducted in the normal course of business and are measured at the consideration established and agreed to by the parties.

The summary of outstanding balances in the consolidated statement of financial position and transactions in the consolidated statement of comprehensive income with the Credit Union's associates are as follows:

	2022	2021
CU Dealer Finance Corp.		
Deposits	3,585	1,355
Commissions and fee income	220	210

The Credit Union has no outstanding balances and entered into no transactions with its other associate Apex Investment GP Inc. in 2022 and 2021.

B. Unconsolidated investment funds

The Credit Union has created various parallel and co-investment venture capital funds for the purpose of facilitating investor participation in startups focused on agtech and agribusiness innovation as well as Saskatchewan-based tech startups. The Credit Union acts as the fund manager for these entities and, for certain funds where no ownership interest is held, has determined that it is acting as an agent on behalf of investors and therefore does not control or consolidate the funds.

The Credit Union has no financial interest in these funds outside of its management fee and consequently its loss exposure is limited to the uncollected fees at year-end. The total assets held within these funds as at December 31, 2022 which are not included in the consolidated statement of financial position are $21,248 (2021 - $12,395).

(In thousands of CDN $)

28. RELATED PARTY TRANSACTIONS (continued)

C. Key management personnel

Key management persons (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly. KMP of the Credit Union include executive management, select senior management and members of the Board who held offices during the financial year.

The aggregate compensation of KMP during the year includes amounts paid or payable and was as follows:

	2022	2021
Short-term employee benefits	4,049	3,907
Post-employment benefits	430	250
Director remuneration	382	307
	4,861	4,464

Loans and deposits with KMP and related persons/entities

The Credit Union follows the same operating policies and guidelines when underwriting loans and accepting deposits from KMP and related persons/entities as it uses for transactions with its arm's length third party members.

Although KMP may receive preferred rates of interest on their loans and deposits, these preferred rates are offered to all employees of the Credit Union as an employment benefit and therefore are not considered to be terms/conditions offered outside the normal course of business. Preferred interest rates are not offered to persons/entities related to KMP unless they have joint loans and deposits with a KMP.

There were no credit-impaired loans to KMP and related persons/entities during the year (2021 – no credit-impaired loans).

The aggregate lending and deposit balances to related parties during the year was as follows:

	2022	2021
Loans outstanding at, beginning of year (1)	4,169	6,237
Loans issued during the year	4,119	2,988
Loan repayments during the year	2,770	3,235
Loans outstanding at, end of year	5,518	5,990
Total interest income earned on loans	191	167
Total term, savings and demand deposits, end of year	2,210	3,845
Total interest expense on deposits	13	16

(1) Opening balance differs from the ending balance as a result of board member changes and KMP loans outstanding