CONEXUS CREDIT UNION

Consolidated Financial Statements
December 31, 2023

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 be based on estimates and judgements. These consolidated financial statements were prepared to meet 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 statements of financial position as at December 31, 2023, 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 material accounting policy information (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, 2023, 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
February 28, 2024

Conexus Credit Union
Consolidated Statement of Financial Position

(In thousands of CDN $)
As at December 31, 2023

	Note	2023	2022
Assets			
Cash and cash equivalents	5	70,775	161,455
Investment securities	6	1,076,212	1,186,723
Loans and advances	7	5,576,921	5,177,221
Derivative assets	9	9,134	7,513
Property and equipment	11	77,950	82,517
Right of use assets	18	20,473	22,096
Investment property	12	9,439	9,808
Goodwill and intangible assets	13	14,454	15,617
Investments in associates	14	22,998	1,734
Current tax assets	24	252	6,135
Deferred tax assets	24	300	460
Accounts receivable and prepaids	23	14,814	89,577
Total assets		6,893,722	6,760,856
Liabilities			
Deposits	15	5,627,282	5,591,599
Securitization liabilities	10	428,744	368,011
Borrowings	16	-	19,894
Membership shares and equity accounts	17	12,150	13,285
Derivative liabilities	9	8,162	6,194
Lease liabilities	18	18,702	20,054
Non-controlling interests	19	16,559	13,043
Current tax liabilities	24	5,658	4
Deferred tax liabilities	24	1,466	1,217
Accounts payable and other liabilities	20	84,431	61,905
Total liabilities		6,203,154	6,095,206
Contingent liabilities and commitments	28		
Members' equity			
Accumulated other comprehensive loss		(2,885)	(11,661)
Retained earnings		693,453	677,311
Total members' equity		690,568	665,650
Total liabilities and members' equity		6,893,722	6,760,856

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD:

Ken Kosolofski

Ken Kosolofski, 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, 2023

	Note	2023	2022
Interest income	21	300,586	225,276
Interest expense	21	146,737	72,755
Net interest income		**153,849**	**152,521**
Commissions and fee income	22	35,575	36,294
Other income	23	6,352	88,942
Net interest and other income before credit losses		**195,776**	**277,757**
Provision for credit losses	8	13,112	20,120
Net interest and other income after credit losses		182,664	257,637
Operating expenses			
Personnel		91,062	90,646
General business		54,144	50,362
Occupancy		12,183	12,075
Member security		5,054	4,894
Organizational		927	1,014
Total operating expenses		163,370	158,991
Profit for the year before income tax		19,294	98,646
Income tax expense	24	4,387	7,104
Profit for the year		14,907	91,542
(Loss) profit attributable to non-controlling interest	19	(1,235)	328
Profit for the year attributable to members		16,142	91,214
Other comprehensive income (loss), net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at FVOCI			
Net unrealized income (loss)		9,112	(9,931)
Share of other comprehensive income of associates		365	-
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive loss of associates		(701)	-
Other comprehensive income (loss) for the year, net of tax		8,776	(9,931)
Total comprehensive income for the year		24,918	81,283

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, 2023

	2023	2022
Accumulated other comprehensive loss- Financial assets at FVOCI		
Balance at January 1	(11,661)	(1,730)
Other comprehensive income (loss), net of tax of $2,877 (2022 - ($2,802)) (Note 24)	9,112	(9,931)
Balance at December 31	(2,549)	(11,661)
Accumulated other comprehensive loss- Share of other comprehensive income of associates		
Balance at January 1	-	-
Other comprehensive loss, net of tax of $148 (2022 - n/a) (Note 24)	(336)	-
Balance at December 31	(336)	-
Total accumulated other comprehensive loss	(2,885)	(11,661)
Retained earnings		
Balance at January 1	677,311	586,097
Profit for the year attributable to members	16,142	91,214
Balance at December 31	693,453	677,311
Total members' equity	690,568	665,650

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, 2023

	Note	2023	2022
Cash flows provided by (used in) operating activities			
Profit for the year		14,907	91,542
Adjustments for non-cash items:			
Net interest income	21	(153,849)	(152,521)
Gain on financial instruments	23	(248)	(13,008)
Dividend income	23	-	(69,052)
Provision for credit losses	8	13,112	20,120
Depreciation of property and equipment	11	6,979	7,351
Depreciation of right of use assets	18	1,616	1,756
Amortization of intangible assets	13	1,987	1,611
Depreciation of investment property	12	388	387
Share of profits in associates	14	(1,704)	(1,733)
Income tax expense	24	4,387	7,104
Other		(2,040)	235
Changes in operating assets and liabilities:			
Loans and advances		(408,665)	(30,303)
Deposits		13,995	116,405
Securitization liabilities		60,733	(172,149)
Accounts receivable and prepaids		5,994	3,426
Accounts payable and other liabilities		22,526	7,217
Interest received		295,370	223,182
Interest paid		(125,049)	(62,918)
Proceeds from unwinding of interest rate swaps		-	4,944
Income tax paid		7,559	(20,098)
Cash flows provided by (used in) operating activities		(242,002)	(36,502)
Cash flows provided by (used in) investing activities			
Dividends received on equity investment securities		68,769	282
Distributions received from associates		23,008	510
Purchases of investment securities		(436,853)	(628,045)
Proceeds on sale of investment securities		518,821	511,289
Net purchase of property and equipment		(2,394)	(3,030)
Net purchase of investment property	12	(19)	(13)
Net purchase of intangible assets	13	(824)	(2,859)
Cash flows provided by (used in) investing activities		170,508	(121,866)
Cash flows provided by (used in) financing activities			
Net (repayments) advances of borrowings: (Beginning 2023 - $19,894 , Net cash flows - $19,894, Ending 2023 - $nil)	16	(19,894)	19,894
Net issuance (redemption) of shares: (Beginning 2023 - ($13,285, Net cash flows - ($1,135), Non-cash items - $nil, Ending 2023 - $12,150)	17	(1,135)	(1,160)
Repayment of lease liabilities: (Beginning 2023 - ($20,054, Net cash flows - ($1,346), Non-cash items - (6), Ending 2023 - $18,702)	18	(1,346)	(1,462)
Capital contributions received from non-controlling interests: (Beginning 2023 - $13,043 , Net cash flows - $4,751, Non-cash items - ($1,235), Ending 2023 - $16,559)	19	4,751	4,583
Cash flows provided by (used in) financing activities		(17,624)	21,855
Net decrease in cash and cash equivalents during the year		(89,118)	(136,513)
Net foreign exchange difference on cash held		(1,562)	410
Cash and cash equivalents, beginning of year		161,455	297,558
Cash and cash equivalents, end of year	5	70,775	161,455

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, 2023 were authorized for issue by the Board of Directors on February 28, 2024.

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. ACCOUNTING POLICIES

The 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. 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	**2023**	**2022**
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. Investments in Associates

Investments 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.

Investments in associates 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. ACCOUNTING POLICIES (continued)

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

		Ownership Interest	
	Head Office	**2023**	**2022**
CU Dealer Finance Corp.	Regina, SK	40%	40%
APEX Investment GP Inc.	Regina, SK	25%	25%
SaskCentral	Regina, SK	23.6%	n/a

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. 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). In 2022, the Credit Union 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. 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. 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) 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. 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 credit risk rating has deteriorated by 3 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. 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, 2023 and 2022.

For the year ending December 31, 2023, 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% (2022 - 60%) applied to the "base case" scenario, 20% (2022 - 20%) applied to the pessimistic scenario, and 20% (2022 - 20%) applied to the optimistic scenario. The economic scenarios used in the determination of ECL's at December 31, 2023 and December 31, 2022 include the following ranges of macroeconomic factors:

2023

	12 month Forecast			5 year Forecast		
% change [1]	Baseline	Upside	Downside	Baseline	Upside	Downside
Canadian equity index	5.08%	15.19%	-15.12%	22.10%	30.47%	2.14%
Canadian unemployment rate	9.42%	-12.04%	36.82%	4.19%	-2.97%	8.20%
Canadian oil price	-0.53%	2.50%	-14.62%	-10.01%	-10.03%	-10.26%

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%

[1] The % change represents the change in the macro economic factor as a % difference from the most recent publicly available result as of December 31, 2022 and December 31, 2023.

3. 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. 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. 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. 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. 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 $5,037 (2022 - $4,904).

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.

4. ACCOUNTING CHANGES

A. Current accounting changes

i. Interbank Offered Rate Reform (IBOR Reform)

Interest rate benchmark reviews have been undertaken globally to either reform or phase out certain interbank offered rates (IBOR), including the Canadian Dollar Offered Rate (CDOR). As an alternative to IBORs, the regulators have recommended markets begin adopting alternative risk-free rates (RFRs).

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, announced that all tenors of CDOR would no longer be published after June 28, 2024. The Canadian Alternative Reference Rate (CARR) committee has published a roadmap to transition away from CDOR in two stages. By the end of the first stage on June 30, 2023, they expect all new derivative contracts and securities to transition to the Canadian Overnight Repo Rate Average (CORRA). All remaining CDOR exposures should be transitioned to CORRA by June 28, 2024, marking the end of the second stage.

The International Accounting Standards Board (IASB) issued amendments to accounting standards in response to interest rate benchmark reform. The amendments address the accounting issues that arise when financial instruments that reference IBORs transition to RFRs, including the effects of changes to contractual cash flows or hedging relationships.

(In thousands of CDN $)

4. ACCOUNTING CHANGES (continued)

The Credit Union's exposure to IBOR Reform is limited to financial instruments that are indexed to the CDOR and USD LIBOR. The following table summarizes the Credit Union's exposures to financial instruments that have yet to transition to an alternative benchmark rate as at December 31, 2023:

	Maturing after June 28, 2024
Derivative notional amounts[1]	15,853

[1] Derivative financial instruments include the notional amount of interest rate swaps.

The change to contractual terms of financial assets and financial liabilities with rates subject to IBOR Reform is not yet complete. The Credit Union continues to work towards meeting the regulatory and industry-wide recommended milestones and has established an organization wide team of stakeholders aimed at ensuring the transition from CDOR to RFRs. The team has focused on identifying and qualifying the Credit Union's exposure to CDOR, assessing changes to processes and impacts on hedge accounting.

ii. Other

The Credit Union has adopted the amendments to IAS 1 effective in 2023. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.

Other changes to IFRS standards which became effective in 2023 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.

5. CASH AND CASH EQUIVALENTS

	2023	**2022**
Cash on hand	22,790	23,978
Deposits at call - SaskCentral	23,234	11,323
Deposits at call - Other	9,270	112,592
	55,294	147,893
Restricted cash	15,481	13,562
Total cash and cash equivalents	70,775	161,455

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	2023	2022
Debt Securities			
SaskCentral			
Redeemable statutory liquidity deposits	FVTPL	207,524	186,698
Non-redeemable statutory liquidity deposits	Amortized Cost	297,578	390,578
Chartered banks			
Canadian	FVOCI	473,341	469,379
US	Amortized Cost	24,638	29,601
		1,003,081	1,076,256
Accrued interest		6,646	5,577
Allowance for credit losses		(172)	(236)
Total debt securities		1,009,555	1,081,597
Equity securities			
SaskCentral shares[1]	FVOCI	-	42,904
Investment funds	FVTPL	66,657	62,222
Total equity securities		66,657	105,126
Total investment securities		1,076,212	1,186,723
Investment securities by measurement category:			
FVTPL		274,181	248,920
FVOCI		477,953	516,002
Amortized cost		324,078	421,801

[1]The change in the classification of SaskCentral to an investment in associate occurred on May 17, 2023 (Note 14).

7. LOANS AND ADVANCES

	2023			2022		
	Principal	**Allowance**	**Net**	**Principal**	**Allowance**	**Net**
Consumer loans						
Residential mortgage guaranteed	1,224,078	(1,517)	1,222,561	1,168,293	(2,572)	1,165,721
Residential mortgage conventional	1,109,430	(690)	1,108,740	997,550	(348)	997,202
Non mortgage and credit cards	648,787	(6,365)	642,422	659,174	(5,700)	653,474
Commercial loans						
Mortgage	2,084,435	(16,116)	2,068,319	1,814,266	(23,572)	1,790,694
Non mortgage	453,505	(10,827)	442,678	477,945	(6,319)	471,626
Government guaranteed	60,784	(462)	60,322	66,096	(266)	65,830
Loans and advances, net of allowance	5,581,019	(35,977)	5,545,042	5,183,324	(38,777)	5,144,547
Foreclosed property held for resale			5,430			10,372
Accrued interest receivable			26,449			22,302
Total loans and advances			5,576,921			5,177,221

(In thousands of CDN $)

8. ALLOWANCE AND PROVISION FOR CREDIT LOSSES

	2023			
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance, beginning of year	182	389	2,349	2,920
Allowance for credit losses (recoveries)				
Re-measurement	(60)	31	1,397	1,368
Newly originated or purchased assets	26	-	-	26
Derecognized financial assets and maturities	(10)	(23)	(1)	(34)
Transfer to (from):				
Stage 1	(15)	15	-	-
Stage 2	79	(81)	2	-
Stage 3	-	1	(1)	-
Total provision for credit losses (recoveries)	20	(57)	1,397	1,360
Write-offs	-	-	(2,228)	(2,228)
Recoveries	-	-	155	155
Balance, end of year	202	332	1,673	2,207
Consumer non mortgage loans				
Balance, beginning of year	2,785	2,767	1,502	7,054
Allowance for credit losses (recoveries)				
Re-measurement	(626)	791	2,928	3,093
Newly originated or purchased assets	707	-	-	707
Derecognized financial assets and maturities	(238)	(232)	(239)	(709)
Transfer to (from):				
Stage 1	(335)	332	3	-
Stage 2	660	(680)	20	-
Stage 3	3	5	(8)	-
Total provision for credit losses (recoveries)	171	216	2,704	3,091
Write-offs	-	-	(3,015)	(3,015)
Recoveries	-	-	572	572
Total allowance for credit losses	2,956	2,983	1,763	7,702
Less: allowance for undrawn commitments (Note 20)	(979)	(357)	(1)	(1,337)
Balance, end of year	1,977	2,626	1,762	6,365
Commercial loans				
Balance, beginning of year	414	3,477	26,835	30,726
Allowance for credit losses (recoveries)				
Re-measurement	(369)	995	8,995	9,621
Newly originated or purchased assets	673	-	-	673
Derecognized financial assets and maturities	(25)	(1,190)	(354)	(1,569)
Transfer to (from):				-
Stage 1	(652)	276	376	-
Stage 2	346	(477)	131	-
Stage 3	38	53	(91)	-
Total provision for credit losses (recoveries)	11	(343)	9,057	8,725
Write-offs	-	-	(12,082)	(12,082)
Recoveries	-	-	608	608
Total allowance for credit losses	425	3,134	24,418	27,977
Less: allowance for undrawn commitments (Note 20)	(201)	(177)	(194)	(572)
Balance, end of year	224	2,957	24,224	27,405

(In thousands of CDN $)

8. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	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	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	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 20)	(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	13,003	13,790
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	221	490	12,169	12,880
Write-offs	-	-	(18,642)	(18,642)
Recoveries	-	-	666	666
Total allowance for credit losses	414	3,477	26,835	30,726
Less: allowance for undrawn commitments (Note 20)	(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)

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

	2023	2022
Residential mortgages	1,360	3,724
Consumer non mortgage loans	3,091	3,362
Commercial loans	8,725	12,880
Investment securities	(64)	154
Total provision for credit losses	13,112	20,120

9. DERIVATIVE FINANCIAL INSTRUMENTS

	Maturities of derivatives (notional amount)					Net fair value			
				2023	2022	2023		2022	
	Under 1 year	1 to 5 years	Over 5 years	Total	Total	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	-	-	2,107	-	-	-	-
Index-linked options	59,624	54,075	-	113,699	114,955	8,067	8,067	6,148	6,148
Interest rate swaps designated as fair value hedges	-	-	15,853	15,853	14,259	1,067	95	1,365	46
Total	59,624	54,075	15,853	129,552	131,321	9,134	8,162	7,513	6,194

A. Types of derivative financial instruments

Interest rate swaps

The Credit Union enters into interest rate swaps with Concentra Bank 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 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 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:

	2023				
	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	15,853	1,067	95	Derivative assets Derivative liabilities	(207)

	2023			
	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	15,998	(977)	Loans and advances	214

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 ($977) (2022 – ($1,193)), 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 $1,067 (2022 - $1,365) 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, 2023 residential mortgages of $126.4 million (2022 – $134.4 million) with a fair value of $119.5 million (2022 – $125.0 million) assigned to NHA MBS certificates were 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	
	2023	**2022**	**2023**	**2022**
Mortgage-backed securities				
Securitized residential mortgages	434,447	402,300	461,173	426,283
Securitization liabilities	315,188	273,088	324,557	291,266
Net position	119,259	129,212	136,616	135,017
Auto loans securitization				
Securitized auto loans	100,862	72,717	112,000	82,501
Securitization liabilities	103,295	74,473	104,187	76,745
Net position	(2,433)	(1,756)	7,813	5,756
Total securitization liabilities	418,483	347,561	428,744	368,011

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 $64,972 (2022 - $109,779).

	2023	**2022**
Syndication Activity		
Principal balance of loans syndicated and derecognized during the year	15,778	9,196
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	319,581	413,159
Cumulative servicing income earned on derecognized loans during the year	1,001	1,182

(In thousands of CDN $)

11. PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Computer Equipment	Other	Total
Cost						
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
Additions	-	246	301	1,197	674	2,418
Disposals	-	(16)	(301)	(2,145)	(678)	(3,140)
Balance at December 31, 2023	7,884	96,344	14,321	13,326	7,567	139,442
Accumulated depreciation						
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
Disposals	-	(16)	(301)	(2,145)	(672)	(3,134)
Depreciation	-	3,416	737	1,913	913	6,979
Balance at December 31, 2023	-	35,531	10,390	9,687	5,884	61,492
Net Book Value						
Balance at December 31, 2022	7,884	63,983	4,367	4,355	1,928	82,517
Balance at December 31, 2023	7,884	60,813	3,931	3,639	1,683	77,950

12. INVESTMENT PROPERTY

	2023	2022
Cost		
Balance, beginning of year	10,770	10,757
Additions	19	13
Balance, end of year	10,789	10,770
Accumulated depreciation		
Balance, beginning of year	962	575
Depreciation	388	387
Balance, end of year	1,350	962
Carrying value, end of year	**9,439**	**9,808**

The fair value of the investment property above as at December 31, 2023 is $10,931 (2022 - $10,730). 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	2023	2022
Rent per square foot	$25-$44	$25-$44
Parking rates per month	$175-$235	$175-$235
Vacancy rate	1.00%	1.02%
Capitalization rate	5.75%	5.73%

13. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Software	Credit card relationship	Other	Total
Cost					
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
Additions	-	824	-	-	824
Disposals	-	-	-	-	-
Balance at December 31, 2023	1,234	14,694	8,832	2,123	26,883
Accumulated amortization					
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
Disposals	-	-	-	-	-
Amortization	-	1,220	579	188	1,987
Balance at December 31, 2023	-	7,605	3,475	1,349	12,429
Net Book Value					
Balance at December 31, 2022	1,234	7,485	5,936	962	15,617
Balance at December 31, 2023	1,234	7,089	5,357	774	14,454

The carrying amount of intangible assets includes assets under development at December 31, 2023 of $94 (2022- $6,194).

14. INVESTMENTS IN ASSOCIATES

The Credit Union has the following significant investments in associates.

SaskCentral

SaskCentral, the central banking facility and liquidity manager for Saskatchewan Credit Unions, is classified as an investment in associate as at December 31, 2023. The Credit Union holds 23.6% (2022 - 24.4%) of the membership shares of SaskCentral and on May 17, 2023, bylaws in SaskCentral were amended and resulted in the Credit Union holding 23.6% voting interest. Based on the new governance structure, management has concluded that the Credit Union has significant influence over SaskCentral as it has the power to participate in the strategic, operating and financial policies of the entity, but not control.

(In thousands of CDN $)

14. INVESTMENTS IN ASSOCIATES (continued)

CU Dealer Finance Corp.

CU Dealer Finance Corp. (CUDF) is classified as an investment in associate and the Credit Union holds 40% (2022 – 40%) of the shares. Management has concluded that the Credit Union does have influence over the strategic, operating and financial policies of CUDF, but not control.

Summary monthly financial information for significant investment in associates held by the Credit Union is as follows:

2023

	Assets	Liabilities	Revenue	Profit	Other comprehensive loss	Total comprehensive income
SaskCentral	2,560,075	2,328,569	29,644	2,744	(1,419)	1,325
CUDF	2,707	2,039	7,227	666	-	666

2022

	Assets	Liabilities	Revenue	Profit	Other comprehensive income	Total comprehensive income
CUDF	4,064	3,343	8,971	719	-	719

A reconciliation of the significant investments in associates held by the Credit Union is as follows:

	2023	2022
SaskCentral[1]		
Balance, beginning of year	-	-
May 17, 2023 recognition of investment in associate	42,904	-
Repatriations	(21,274)	-
Share of profits	650	-
Share of other comprehensive loss	(336)	-
Balance, end of year	**21,944**	**-**
CUDF		
Balance, beginning of year	1,734	511
Share of profits	1,054	1,733
Distributions	(1,734)	(510)
Balance, end of year	**1,054**	**1,734**
Total investments in associates	**22,998**	**1,734**

[1] Comparative numbers are not available as the change in the Credit Union's ability to exercise significant influence of SaskCentral occurred on May 17, 2023.

15. DEPOSITS

	2023	2022
Demand	3,129,701	3,267,553
Term	1,610,320	1,516,035
Registered plans	844,931	787,369
	5,584,952	5,570,957
Accrued interest	42,330	20,642
Total deposits	5,627,282	5,591,599

16. BORROWINGS

SaskCentral line of credit
The Credit Union has two authorized lines of credit with SaskCentral in the amount of $95,000 (2022 - $95,000) and $7,000 in U.S. funds (2022 - $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 $nil (2022 - $19,894).

Desjardins revolving facility
The Credit Union has a revolving credit facility with Desjardins, with a maximum credit available of $150,000 (2022 - $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 $150,015 (2022 - $150,005). At the end of the year, the amount outstanding was $nil (2022 - $nil).

17. 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:

	2023	**2022**
Membership shares		
Balance, beginning of year	675	658
New membership shares issued	52	48
Membership shares redeemed	(32)	(31)
Balance, end of year	695	675
Member equity accounts		
Balance, beginning of year	12,610	13,787
Patronage cash distributions paid to members	(1,155)	(1,177)
Balance, end of year	11,455	12,610
Total membership shares and equity accounts	**12,150**	**13,285**

(In thousands of CDN $)

18. LEASES

A. Right-of-use assets

	Land	Buildings	Other	Total
Cost				
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
Additions	-	48	-	48
Disposals	-	(177)	(45)	(222)
Balance at December 31, 2023	3,232	17,833	5,089	26,154
Accumulated depreciation				
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
Disposals	-	(123)	(44)	(167)
Depreciation	36	1,393	187	1,616
Balance at December 31, 2023	180	4,889	612	5,681
Net book value				
Balance at December 31, 2022	3,088	14,343	4,665	22,096
Balance at December 31, 2023	3,052	12,944	4,477	20,473

B. Lease payments and expense

	2023	2022
Interest expense on lease liabilities	699	744
Expenses relating to short-term leases and low value assets	35	35
Expenses relating to variable lease payments	1,587	1,133
Total amounts recognized in profit or loss	**2,321**	**1,912**
Total repayment of lease liabilities	**1,346**	**1,462**

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, 2023 is $18,702 (2022 - $20,054).

(In thousands of CDN $)

19. 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:

	2023	2022
CVC Fund 1 LP		
NCI percentage	**21.05%**	**21.05%**
Assets	25,982	28,339
Liabilities	138	282
Net assets	25,844	28,057
Carrying value of NCI	5,440	5,907
Revenue[1]	(3,637)	3,400
Expenses	479	531
Net (loss) income for the year	(4,116)	2,869
Net (loss) income allocated to NCI	(866)	604
Emmertech Fund 1 LP		
NCI percentage	**81.31%**	**81.31%**
Assets	14,180	10,423
Liabilities	505	1,646
Net assets	13,675	8,777
Carrying value of NCI	11,119	7,136
Revenue[1]	244	261
Expenses	698	601
Net loss for the year	(454)	(340)
Net loss allocated to NCI	(369)	(276)
Total carrying value of NCI	16,559	13,043
Total net (loss) income allocated to NCI	(1,235)	328

[1]Revenue includes realized and unrealized (losses) and gains.

20. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2023	2022
Settlement items in-transit	43,042	36,894
Payroll related amounts	6,786	8,461
Other payables	25,204	8,567
Unclaimed balances	1,095	1,103
Total accounts payable	76,127	55,025
Credit card reward points liability	5,969	4,591
Allowance for undrawn commitments (Note 8)	1,909	1,923
Other deferred income	426	366
Total accounts payable and other liabilities	84,431	61,905

(In thousands of CDN $)

21. INTEREST INCOME AND INTEREST EXPENSE

	2023	2022
Interest income		
Loans and advances	257,362	202,345
Investment securities	36,502	19,126
Cash and cash equivalents	6,722	3,805
Total interest income	300,586	225,276
Interest expense		
Deposits	133,383	59,820
Securitization liabilities	12,542	11,714
Other	812	1,221
Total interest expense	146,737	72,755
Net interest income	153,849	152,521
Interest income and (expense) recognized using the effective interest method:		
Financial assets at amortized cost	275,444	210,645
Financial assets at FVOCI	16,216	9,250
Financial liabilities at amortized cost	(146,737)	(72,755)

22. COMMISSIONS AND FEE INCOME

	2023	2022
Revenue recognized at a point-in-time		
Service fees	8,773	8,207
Loan fees	2,574	3,551
Loan insurance fees	2,653	3,078
Payment and credit card revenue	851	1,493
Other	1,407	1,484
Revenue recognized over time		
Income from equity method investments	1,704	1,733
Payment and credit card revenue	832	773
Syndicated loan revenue	576	689
Wealth management income	14,766	13,835
Other	1,439	1,451
Total commissions and fee income	**35,575**	**36,294**

(In thousands of CDN $)

23. OTHER INCOME

	2023	2022
Unrealized and realized gains on FVTPL investment securities	460	7,552
Unrealized and realized (losses) gains on derivative financial instruments	(219)	5,487
Ineffective portion of unrealized gains (losses) on fair value hedge (Note 9)	7	(34)
Realized gains on loans and advances	-	3
Total gain on financial instruments	248	13,008
Dividend income[1]	-	69,052
Other	6,104	6,882
Total other income	**6,352**	**88,942**

[1]Comparative numbers include a $68.77 million dividend distribution from SaskCentral.

24. INCOME TAX

	2023	2022
Components of income tax expense:		
Current income tax expense on profit for current year	3,978	7,165
Deferred income tax expense (recovery) on origination and reversal of temporary differences	409	(61)
	4,387	7,104
Income taxes included in other comprehensive income:		
Net unrealized gains (losses) on FVOCI investment securities		
Current income tax expense (recovery)	2,877	(2,802)
Net other comprehensive income on investment in associates		
Current income tax expense	148	-
	3,025	(2,802)
Total income tax reported in the consolidated financial statements:	**7,412**	**4,302**

(In thousands of CDN $)

24. INCOME TAX (continued)

	2023	2022
Reconciliation of income tax expense:		
Profit before income tax	19,294	98,646
Combined federal and provincial income tax rate	27.0%	27.0%
Income taxes at statutory rate	5,209	26,634
Income tax expense adjusted for the effect of:		
Non-deductible expenses	95	79
Non-taxable dividend income	(132)	(18,643)
Partnership income attributable to non-controlling interest	325	(89)
Prior year true-up adjustments	(1,593)	(95)
Other	483	(782)
	4,387	7,104
Effective rate of tax	23%	7%

	2023	2022
The deferred tax asset is comprised of the following:		
Allowance for credit losses	3,245	3,177
Lease liabilities	5,050	5,413
Total deferred tax assets	8,295	8,590
The deferred tax liability is comprised of the following:		
Property and equipment	2,218	1,446
Intangible assets	1,542	1,746
Right of use assets	4,704	5,131
Loans and advances	537	600
Other	460	424
Total deferred tax liability	9,461	9,347
Net deferred tax liability	**(1,166)**	**(757)**

25. 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% (2022 - 11.5%), common equity tier 1 capital to risk-weighted assets of 8.0% (2022 - 8.0%), total tier 1 capital to risk-weighted assets of 9.5% (2022 - 9.5%) and minimum leverage ratio of 5.0% (2022 - 5.0%).

(In thousands of CDN $)

25. 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:

	2023	2022
Tier 1 capital		
Retained earnings	693,453	677,311
Accumulated other comprehensive income	(2,885)	(11,661)
Total tier 1 capital	690,568	665,650
Tier 2 capital		
Membership shares and equity accounts	12,150	13,285
Stage 1 and Stage 2 allowance for credit losses	10,204	10,250
Total tier 2 capital	22,354	23,535
Total eligible capital before deductions	712,922	689,185
Deductions from eligible capital		
Intangible assets	13,220	14,383
Goodwill	1,234	1,234
Investments in associates	1,054	1,734
Total deductions from eligible capital	15,508	17,351
Total eligible capital	697,414	671,834
Total risk-weighted assets	4,208,165	4,023,296
Total eligible capital to risk-weighted assets	**16.57%**	**16.70%**
Common equity tier 1 capital to risk-weighted assets	**16.04%**	**16.11%**
Total tier 1 capital to risk-weighted assets	**16.04%**	**16.11%**
Leveraged assets		
On-Balance Sheet Assets	6,893,722	6,760,856
Less: Deductions from Capital	(15,508)	(17,351)
Add: Off- Balance Sheet Exposures	142,372	118,350
Total leveraged assets	7,020,586	6,861,855
Total eligible capital	697,414	671,834
Leverage ratio	**9.93%**	**9.79%**

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.

25. CAPITAL MANAGEMENT (continued)

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 2023 and 2022, the Credit Union complied with all internal and external capital requirements.

26. 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.

(In thousands of CDN $)

26. FINANCIAL RISK MANAGEMENT (continued)

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	> 600	AAA – BBB
Moderate	7	429 - 599	BB – CCC
High	8	< 429	< CCC

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:

2023	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Low risk:	1,855,867	416,893	-	2,272,760
Moderate risk:	-	53,943	-	53,943
High risk:	-	-	6,805	6,805
Total residential mortgages	1,855,867	470,836	6,805	2,333,508
Allowance for credit losses	(202)	(332)	(1,673)	(2,207)
Consumer non mortgage loans				
Low risk:	490,570	140,041	-	630,611
Moderate risk:	87	14,844	-	14,931
High risk:	-	-	3,245	3,245
Total consumer non mortgage loans	490,657	154,885	3,245	648,787
Allowance for credit losses	(1,977)	(2,626)	(1,762)	(6,365)
Commercial loans				
Low risk:	1,954,854	482,885	-	2,437,739
Moderate risk:	-	84,652	-	84,652
High risk:	-	-	76,333	76,333
Total commercial loans	1,954,854	567,537	76,333	2,598,724
Allowance for credit losses	(224)	(2,957)	(24,224)	(27,405)
Undrawn Commitments				
Low risk:	1,088,985	140,221	-	1,229,206
Moderate risk:	15	2,191	-	2,206
High risk:	-	-	6,820	6,820
Total undrawn commitments	1,089,000	142,412	6,820	1,238,232
Allowance for credit losses	(1,180)	(534)	(195)	(1,909)
Debt securities (excluding statutory liquidity)				
Low risk:	740,230	-	-	740,230
Total debt securities (excluding statutory liquidity)	740,230	-	-	740,230
Allowance for credit losses	(172)	-	-	(172)

(In thousands of CDN $)

26. FINANCIAL RISK MANAGEMENT (continued)

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 addition to the items above, the Credit Union has cash of $9,270 (2022 - $112,592) on deposit with highly rated financial institutions that maintain a minimum rating of BBB (2022 – 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, 2023 for these financial instruments. The Credit Union mitigates exposures by limiting the counterparties to interest rate contracts to two counterparties (Desjardins and Concentra) who maintain a minimum rating of BBB (2022 – 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 $)

26. 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, 21% (2022 - 23%) 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 12% (2022 - 13%) or Canada Mortgage and Housing Corporation (CMHC), a government owned corporation, at 7% (2022 - 8%). Other noteworthy guarantors include the Government of Canada's Canada Small Business Financing Program (CSBFP) for small business loans at 1% (2022 - 1%) and the Government of Canada's Canadian Agricultural Loans Act (CALA) program for farm improvement loans at 1% (2022 - 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:

	2023	2022
Fully secured by government guarantee or default insurance	1,141,537	1,101,569
Fully or partially secured by tangible mortgage assets [1]	3,507,824	3,144,166
Fully or partially secured by tangible non mortgage assets	650,444	649,314
Unsecured	281,214	288,275
	5,581,019	5,183,324

[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:

	2023	2022
Credit-impaired (Stage 3) loans		
Fair value of collateral held as security for stage 3 loans	107,883	78,310
Stage 3 loans without an allowance due to adequate security	37,380	36,266
Foreclosed loans		
Assets acquired via enforcement of security during the year	12,525	17,990
Contractual amount outstanding on financial assets written off still subject to enforcement activity	6,475	12,823

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 $)

26. 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 Asset Liability Committee (ALCO) and the MRC provide 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 2023, 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.

	2023	**2022**
100-basis-point increase in interest rate:		
Impact on net income	4,678	6,715
Impact on other comprehensive income	(13,036)	(9,441)
Impact on economic value of equity	-7.51%	-7.53%
100-basis-point decrease in interest rate:		
Impact on net income	(1,965)	(1,713)
Impact on other comprehensive income	13,905	9,883
Impact on economic value of equity	7.87%	7.88%

(In thousands of CDN $)

26. 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 2023. The measure is based upon assumptions made by management such as asset growth and funding mix.

	2023	2022
300-basis-point increase in interest rate:		
Impact on net income	13,270	19,714
Impact on other comprehensive income	(36,742)	(27,096)
Impact on economic value of equity	-21.53%	-21.62%
300-basis-point decrease in interest rate:		
Impact on net income	(8,103)	(14,411)
Impact on other comprehensive income	44,598	31,095
Impact on economic value of equity	24.79%	24.74%

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:

2023								
	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	1.69%	24,819	-	-	-	-	45,956	70,775
Investment securities	3.84%	242,501	82,523	269,046	190,903	218,108	73,131	1,076,212
Loans and advances	5.16%	752,976	546,730	1,084,029	3,001,775	108,634	82,777	5,576,921
Derivative financial instruments	-	-	52	213	7,802	1,067	-	9,134
Other non-interest sensitive assets	-	-	-	-	-	-	160,680	160,680
Total assets		1,020,296	629,305	1,353,288	3,200,480	327,809	362,544	6,893,722
Liabilities								
Deposits	2.59%	2,109,178	1,407,909	1,305,158	760,364	4,849	39,824	5,627,282
Securitization liabilities	4.48%	-	22,696	101,281	280,568	34,658	(10,459)	428,744
Derivative financial instruments	-	-	52	213	7,802	95	-	8,162
Lease liabilities	3.54%	-	225	1,132	6,338	11,007	-	18,702
Other non-interest sensitive liabilties	-	-	-	-	-	-	120,264	120,264
Total liabilities		2,109,178	1,430,882	1,407,784	1,055,072	50,609	149,629	6,203,154
Total members' equity		-	-	-	-	-	690,568	690,568
Asset/liability gap		(1,088,882)	(801,577)	(54,496)	2,145,408	277,200	(477,653)	-
Notional amount of derivatives								
Pay side instruments	2.39%	-	(8,809)	(50,815)	(54,075)	(15,853)	-	(129,552)
Receive side instruments	5.40%	-	24,662	50,815	54,075	-	-	129,552
Off balance sheet gap		-	15,853	-	-	(15,853)	-	-
Interest rate gap position		(1,088,882)	(785,724)	(54,496)	2,145,408	261,347	(477,653)	-

(In thousands of CDN $)

26. FINANCIAL RISK MANAGEMENT (continued)

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)	-

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.

<u>Currency risk:</u>

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, 2023, the percentage of foreign denominated financial assets is 101% (2022 - 101%) 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.

26. 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 and ALCO, which are 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 liquid asset ratio (LAR), liquidity coverage ratio (LCR), liquidity management ratio and the net cumulative cash flow (NCCF).

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.

The liquidity management 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%.

(In thousands of CDN $)

26. 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, 2023		December 31, 2022	
	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
High-quality liquid assets				
Level 1 assets				
Cash and cash equivalents	51,667	51,667	39,885	39,885
SaskCentral - statutory liquidity deposits	317,285	317,285	276,117	276,117
Total Level 1 assets	368,952	368,952	316,002	316,002
Level 2A assets				
SaskCentral - statutory liquidity deposits	44,833	38,108	56,421	47,958
Total Level 2A assets	44,833	38,108	56,421	47,958
Level 2B assets				
SaskCentral - statutory liquidity deposits	123,403	61,702	157,570	78,785
Overage factor	-	-	-	14,557
Total Level 2B assets	123,403	61,702	157,570	64,228
Total high-quality liquid assets	**537,188**	**468,762**	**529,993**	**428,188**
Cash Outflows				
Retail and small business deposits	3,312,531	120,299	3,233,230	129,616
Unsecured wholesale funding	2,282,790	321,065	2,297,244	303,776
Secured funding run-off	-	-	19,894	4,974
Additional requirements	1,265,154	71,001	1,190,740	104,056
Total cash outflows	6,860,475	512,365	6,741,108	542,422
Cash inflows				
Retail and small business customers	19,378	9,689	18,065	9,033
Other wholesale inflows	15,031	7,516	12,691	6,345
Receivable from financial institutions	64,108	64,108	123,069	123,069
Other contractual inflows	132,358	132,358	140,319	140,319
Total cash inflows	230,875	213,671	294,144	278,766
Total net cash outflows	**6,629,600**	**298,694**	**6,446,964**	**263,656**
Liquidity coverage ratio		**156.94%**		**162.40%**

(In thousands of CDN $)

26. 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.

	2023						
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	4,071,444	832,207	486,463	134,441	137,069	39,823	5,701,447
Lease liabilities	2,329	2,269	2,276	2,019	1,992	23,233	34,118
Securitization liabilities	137,630	62,821	39,631	96,882	109,634	34,658	481,256
Membership shares and member equity accounts	12,150	-	-	-	-	-	12,150
Accounts payable and other liabilities	84,431	-	-	-	-	-	84,431
	4,307,984	897,297	528,370	233,342	248,695	97,714	6,313,402

Off-balance sheet commitments	**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	411,449	-	-	-	-	411,449
Commitments to extend credit	819,776	-	-	-	-	819,776
	1,231,225	-	-	-	-	1,231,225

	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
Securitization liabilities	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 commitments	**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

27. 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 2022 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 $)

27. 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:

2023	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	9,134	9,134	-	-	9,134	-
Investment securities	274,181	274,181	-	-	207,524	66,657
Financial assets at FVOCI						
Investment securities	477,953	477,953	-	-	477,953	-
Financial assets at amortized cost						
Investment securities	324,078	323,237	(841)	-	323,237	-
Loans and advances	5,572,745	5,418,740	(154,005)	-	5,418,740	-
Total financial assets	6,658,091	6,503,245	(154,846)	-	6,436,588	66,657
Financial liabilities at FVTPL						
Derivative liabilities	8,162	8,162	-	-	8,162	-
Financial liabilities at amortized cost						
Deposits	5,627,282	5,518,104	(109,178)	-	5,518,104	-
Securitization liabilities	428,744	418,483	(10,261)	-	418,483	-
Total financial liabilities	6,064,188	5,944,749	(119,439)	-	5,944,749	-

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	-

There were no transfers between Level 1, Level 2 and/or Level 3 in 2023 or 2022.

(In thousands of CDN $)

27. 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, 2023

	Opening balance	Transfers	Purchases	Redemptions	Realized gain/(loss)	Unrealized gain/(loss)	Ending balance
Private equity fund investment	62,222	-	7,647	(3,672)	2,345	(1,885)	66,657
	62,222	-	7,647	(3,672)	2,345	(1,885)	66,657

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

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 2023	Valuation technique	Unobservable input
Private equity fund investment	66,657	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 cash flow	Cash flow 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 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

(In thousands of CDN $)

28. 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:

	2023	**2022**
Undrawn lines of credit	411,449	408,377
Commitments to extend credit	819,776	748,172
Letters of credit	7,007	6,508
	1,238,232	1,163,057

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 8.65% (2022 – 10%) of its total liabilities in specified liquidity deposits in SaskCentral. As of December 31, 2023, the Credit Union has met the requirement (2022 – 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 $21,630 in membership shares of SaskCentral, or 23.6% (2022 - $42,904; 24.4%) of the total issued and outstanding membership shares. Based on the Credit Union's total assets as at December 31, 2023 the Credit Union has an outstanding commitment to purchase $nil (2022 – $nil) of additional shares in SaskCentral.

Investment funds

As at December 31, 2023 the Credit Union is contractually committed to invest to purchase an additional $12,602 (2022 - $13,637) 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, 2023 the pre-determined threshold was no longer triggered under the Credit Union ISDAs and CSAs (2022 - $nil).

(In thousands of CDN $)

28. 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:

2024	12,881
2025	7,399
2026	5,282
2027	3,487
2028	1,001
Thereafter	140
Total other commitments	**30,190**

29. RELATED PARTY TRANSACTIONS

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

A. Investments in Associates

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 Credit Union receives central banking and liquidity management services from its investment in associate SaskCentral. 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:

	2023	2022
CU Dealer Finance Corp.		
Deposits	2,322	3,585
Commissions and fee income	3,035	2,837
SaskCentral[1]		
Cash and cash equivalents	23,234	-
Investment Securities	505,103	-
Interest income	20,068	-
Interest expense	393	-
General business expense	1,376	-

[1] Comparative numbers are not available as the change in the Credit Union's ability to exercise significant influence of SaskCentral occurred on May 17, 2023.

The Credit Union has two authorized lines of credit with SaskCentral in the amount of $95,000 (2022 - $95,000) and $7,000 in U.S. funds (2022 - $7,000). At the end of the year, the amount outstanding was $nil (2022 - $19,894).

The Credit Union has no outstanding balances and entered into no transactions with its other associate Apex Investment GP Inc. in 2023 and 2022.

(In thousands of CDN $)

29. RELATED PARTY TRANSACTIONS (continued)

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, 2023 which are not included in the consolidated statement of financial position are $27,061 (2022 - $21,248).

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:

	2023	2022
Short-term employee benefits	3,843	4,049
Post-employment benefits	266	430
Director remuneration	354	382
	4,463	4,861

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 (2022 – no credit-impaired loans).

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

	2023	2022
Loans outstanding at, beginning of year [1]	4,099	4,169
Loans issued during the year	2,092	4,119
Loan repayments during the year	954	2,770
Loans outstanding at, end of year	5,237	5,518
Total interest income earned on loans	236	191
Total term, savings and demand deposits, end of year	1,607	2,210
Total interest expense on deposits	28	13

[1]Opening balance differs from the ending balance as a result of board member changes and KMP loans outstanding.