Prairie Centre Credit Union (2006) Ltd.
Consolidated Financial Statements
December 31, 2023

Contents

Management's Responsibility

To the Members of Prairie Centre Credit Union (2006) Ltd.:

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

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

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

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

March 20, 2024

Chief Executive Officer, Blair Wingert

LCarlson

Chief Financial Officer, Lesley Carlson

Independent Auditor's Report

To the Members of Prairie Centre Credit Union (2006) Ltd.:

Opinion

We have audited the consolidated financial statements of Prairie Centre Credit Union (2006) Ltd. and its subsidiaries (the "Credit Union"), which comprise the consolidated statement 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated 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 consolidated 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 included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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.

Saskatoon, Saskatchewan

MNP LLP

March 20, 2024

Chartered Professional Accountants

MNP

Prairie Centre Credit Union (2006) Ltd.
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	*2022*
Assets		
Cash and cash equivalents *(Note 5)*	**137,108,501**	124,321,686
Investments *(Note 6)*	**64,040,500**	108,385,412
Member loans receivable *(Note 7)*	**958,887,599**	914,443,112
Other assets *(Note 8)*	**3,365,262**	14,963,526
Property, plant and equipment *(Note 9)*	**12,732,814**	13,123,247
Intangible assets *(Note 10)*	**4,444,664**	4,623,584
	1,180,579,340	1,179,860,567
Liabilities		
Member deposits *(Note 12)*	**1,057,595,657**	1,065,732,940
Other liabilities *(Note 14)*	**6,488,413**	5,361,176
Membership shares *(Note 15)*	**86,430**	85,920
	1,064,170,500	1,071,180,036
Commitments *(Note 18), (Note 20)*		
Members' equity		
Retained earnings	**108,891,649**	98,970,073
Contributed surplus	**7,517,191**	9,710,458
	116,408,840	108,680,531
	1,180,579,340	1,179,860,567

Approved on behalf of the Board

Board President, Greg Hannay **Audit & Risk Committee Chair, Evan Sjovold**

The accompanying notes are an integral part of these financial statements

Prairie Centre Credit Union (2006) Ltd.
Consolidated Statement of Comprehensive Income
For the year ended December 31, 2023

	2023	*2022*
Interest income		
Member loans	**45,265,385**	35,174,892
Investments	**9,456,234**	4,110,297
Investments - SaskCentral dividends	**-**	11,716,571
	54,721,619	51,001,760
Interest expense		
Member deposits	**22,555,203**	12,267,079
Borrowed money	**17,519**	78,611
	22,572,722	12,345,690
Gross financial margin	**32,148,897**	38,656,070
Other income	**7,231,725**	7,546,552
	39,380,622	46,202,622
Operating expenses		
Personnel	**15,865,635**	14,703,469
Security	**1,006,152**	961,957
Organizational	**384,913**	360,143
Occupancy	**1,860,739**	1,782,126
General business	**8,573,318**	7,353,976
	27,690,757	25,161,671
Income before provision for impaired loans and provision for (recovery of) income taxes	**11,689,865**	21,040,951
Provision for impaired loans *(Note 7)*	**1,076,561**	941,428
Income before provision for (recovery of) income taxes	**10,613,304**	20,099,523
Provision for (recovery of) income taxes *(Note 13)*		
Current	**2,645,220**	2,506,202
Deferred	**239,775**	(142,119)
	2,884,995	2,364,083
Comprehensive income	**7,728,309**	17,735,440

The accompanying notes are an integral part of these financial statements

Prairie Centre Credit Union (2006) Ltd.
Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2023

	Contributed surplus	*Retained earnings*	*Total equity*
Balance December 31, 2021	**2,193,267**	**81,234,633**	**83,427,900**
Comprehensive income	**-**	**17,735,440**	**17,735,440**
Contributed surplus resulting from business combination	**7,517,191**	**-**	**7,517,191**
Balance December 31, 2022	**9,710,458**	**98,970,073**	**108,680,531**
Comprehensive income	**-**	**7,728,309**	**7,728,309**
Transfer from contributed surplus to retained earnings	**(2,193,267)**	**2,193,267**	**-**
Balance December 31, 2023	**7,517,191**	**108,891,649**	**116,408,840**

The accompanying notes are an integral part of these financial statements

Prairie Centre Credit Union (2006) Ltd.
Consolidated Statement of Cash Flows
For the year ended December 31, 2023

	2023	*2022*
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	**44,552,706**	34,010,056
Interest received from investments	**20,990,585**	4,018,919
Other income	**7,231,725**	7,546,552
Cash paid to suppliers and employees	**(25,046,663)**	(24,609,697)
Interest paid on deposits	**(19,579,700)**	(12,036,185)
Interest paid on borrowings	**(17,519)**	(78,611)
Income taxes paid	**(3,027,577)**	(2,631,738)
	25,103,557	6,219,296
Financing activities		
Net change in member deposits	**(11,112,786)**	18,052,893
Net change in membership shares	**510**	(26,520)
	(11,112,276)	18,026,373
Investing activities		
Net change in member loans receivable	**(44,808,369)**	(87,902,185)
Net change in investments	**44,527,132**	60,605,387
Purchases of property, plant and equipment	**(1,132,760)**	(486,502)
Proceeds from disposal of property, plant and equipment	**209,531**	11,429
Purchases of intangible assets	**-**	(373,040)
Cash received from business combinations	**-**	21,364,183
	(1,204,466)	(6,780,728)
Increase in cash and cash equivalents	**12,786,815**	17,464,941
Cash and cash equivalents, beginning of year	**124,321,686**	106,856,745
Cash and cash equivalents, end of year	**137,108,501**	124,321,686

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Prairie Centre Credit Union (2006) Ltd. (the "Credit Union") was formed pursuant to the *Credit Union Act 1998* of Saskatchewan ("the Act") and operates sixteen Credit Union branches.

The Credit Union serves members and non-members in Beechy, Delisle, Dinsmore, Eatonia, Elbow, Elrose, Eston, Harris, Herbert, Kyle, LeRoy, Loreburn, Morse, Outlook, Rosetown, Spiritwood and the surrounding communities. The address of the Credit Union's registered office is P.O. Box 940, Rosetown, Saskatchewan.

The consolidated financial statements of the Credit Union as at and for the year ended December 31, 2023 comprise the Credit Union and its wholly owned subsidiaries 102125001 Saskatchewan Ltd. and PCCU Insurance Ltd., and PCCU Accounting Ltd. and PCCU Real Estate Ltd., both of which are wholly owned subsidiaries of PCCU Insurance Ltd. Together, these entities are referred to as the Credit Union.

On January 1, 2023, Dinsmore Financial Ltd., former wholly owned subsidiary of Prairie Centre Credit Union (2006) Ltd., was wound up and dissolved by the Credit Union.

On January 1, 2023, Kyle Agencies Inc., former wholly owned subsidiary of PCCU Insurance Ltd., was amalgamated by PCCU Insurance Ltd.

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

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

Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 20, 2024.

2. Change in accounting policies

Standards and interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2023. Adoption of these amendments resulted in the Credit Union disclosing material accounting policy information instead of significant accounting policy information.

- IAS1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*
- IAS 8 *Accounting Policies, Changes is Accounting Estimates and Errors*

3. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

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

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

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

By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future years could be significant.

Classification of financial assets

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

Key assumptions in determining the allowance for expected credit losses

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

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

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

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

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options and demand features
- The probability-weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money
- Effects of the economic changes, such as inflation and rising interest rates, on specific sectors to which the Credit Union has credit exposures

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

Key assumptions in determining the allowance for expected credit losses *(Continued from previous page)*

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

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

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

4. Material accounting policy information

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Credit Union and its subsidiaries.

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Credit Union the current ability to direct the relevant activities and that the Credit Union has the practical ability to exercise, are considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Any balances, unrealized gains and losses, or income and expenses arising from intra-company transactions, are eliminated upon consolidation. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Credit Union’s interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

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

4. Material accounting policy information *(Continued from previous page)*

Revenue recognition

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

Service charge fees, commission and other revenue

The Credit Union generates revenue from providing various financing and investing services to its members. Revenue is recognized as services are rendered.

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

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

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

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

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash equivalents, SaskCentral and Concentra Bank deposits, deposit instruments, member loans receivable and accrued interest thereon, and accounts receivable balances.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash.

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

4. Material accounting policy information *(Continued from previous page)*

Business model assessment

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

Contractual cash flow assessment

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

Reclassifications

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

Impairment

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

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

The Credit Union applies the simplified approach for accounts receivable that do not contain a significant financing component. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

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

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

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

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

4. Material accounting policy information *(Continued from previous page)*

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

Derecognition of financial assets

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

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

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

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

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

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

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

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

Modification of financial assets

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

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

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

Financial liabilities

Recognition and initial measurement

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

4. Material accounting policy information *(Continued from previous page)*

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Derivatives

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

Dividend income

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

Interest

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

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

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

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

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

Collateral

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

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

Cash and cash equivalents

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

4. Material accounting policy information *(Continued from previous page)*

Investments

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

SaskCentral and Concentra Bank deposits and shares

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

Impairment of non-financial assets

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

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

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

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

Syndication

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

Property, plant and equipment

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

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

4. Material accounting policy information *(Continued from previous page)*

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

	Rate
Buildings	10 - 50 years
Automobiles	4 - 7 years
Computer software and office equipment	2 - 10 years

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

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

Intangible assets

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized as follows, based upon management’s best estimate of the useful life of the asset.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

	Method	**Rate**
Customer lists	straight-line	25 years
Definite life licences	straight-line	25 years

Licences with indefinite useful lives are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date of control (acquisition date). Goodwill is measured as the excess of the cost of the acquisition over the Credit Union’s interests in the net fair value of the identifiable net assets, liabilities and contingent liabilities of the acquiree recognized at the date of acquisition.

For the purposes of assessing impairment, goodwill is allocated to individual CGU's or groups of CGU's that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents, subject to an operating segment ceiling test, the lowest level within the Credit Union that goodwill is monitored for internal reporting purposes. The impairment of non-financial assets note describes how goodwill is tested for impairment.

Income taxes

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

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

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

4. Material accounting policy information *(Continued from previous page)*

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

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

Membership shares

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

5. Cash and cash equivalents

	2023	*2022*
Cash	**9,424,191**	9,613,579
Cash equivalents	**127,684,310**	114,708,107
	137,108,501	124,321,686

6. Investments

	2023	*2022*
Measured at fair value through profit or loss		
SaskCentral and Concentra Bank shares	**5,037,749**	8,569,530
Other equity instruments	**5,152,962**	3,812,988
	10,190,711	12,382,518
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	**52,133,949**	84,469,274
Deposit instruments	**1,000,000**	11,000,000
	53,133,949	95,469,274
Accrued interest	**715,840**	533,620
	64,040,500	108,385,412

6. Investments *(Continued from previous page)*

The table below shows the credit risk exposure on investments. Ratings are as provided by Dominion Bond Rating Services ("DBRS") unless otherwise indicated.

	2023	*2022*
Investment portfolio rating		
AA	**1,000,000**	1,000,000
A	**-**	10,000,000
BBB	**13,250,000**	47,250,277
R1	**43,921,698**	45,788,527
Unrated	**5,152,962**	3,812,988
	63,324,660	107,851,792

Statutory liquidity

Effective January 1, 2024, the Standards of Sound Business Practices ("SSBP") requires that the Credit Union maintain 8.65% of its total liabilities in specified liquidity deposits, with early adoption permitted. The Credit Union has adopted this change during the 2023 year, therefore maintains 8.65% (2022 - 10%) of its total liabilities in specified liquidity deposits. The provincial regulator for Credit Unions, Credit Union Deposit Guarantee Corporation ("CUDGC"), requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2023 the Credit Union met the requirement.

Liquidity coverage ratio

The Credit Union has implemented a Liquidity Coverage Ratio (“LCR”) which is a regulatory requirement of CUDGC. The objective of the LCR is to ensure that the Credit Union has an adequate stock of unencumbered high-quality liquid assets (“HQLA”) that:

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

This stress scenario noted above is viewed as a minimum requirement. The Credit Union conducts additional stress tests to assess the level of liquidity to hold beyond the regulatory minimum, and constructs scenarios that could cause difficulties for specific business activities. Internal stress tests have longer time horizons and results are reported to CUDGC upon request.

The LCR is calculated as the value of the stock in HQLA in stressed conditions divided by the total net cash outflows over the next 30 calendar days.

As at December 31, 2023, the Credit Union is in compliance with regulatory requirements.

7. Member loans receivable

Principal and allowance by loan type:

2023

	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Agriculture loans	74,582,063	6,115	6,115	103,179	**74,478,884**
Agriculture mortgages	271,309,081	163,189	4,439	375,531	**271,092,300**
Commercial loans	50,980,601	7,627,484	2,288,734	289,196	**56,030,155**
Commercial mortgages	225,485,732	7,015,978	1,806,697	1,144,198	**229,550,815**
Consumer loans	108,755,012	774,021	528,438	338,023	**108,662,572**
Consumer mortgages	187,346,018	166,183	41,903	195,429	**187,274,869**
Lines of credit	26,841,515	-	-	190,017	**26,651,498**
	945,300,022	15,752,970	4,676,326	2,635,573	**953,741,093**
Foreclosed assets	217,222	-	-	-	**217,222**
Accrued interest	4,929,284	1,496,165	1,496,165	-	**4,929,284**
	950,446,528	17,249,135	6,172,491	2,635,573	**958,887,599**

2022

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans	75,533,513	2,672	172	147,251	75,388,762
Agriculture mortgages	281,753,120	464,032	23,518	550,159	281,643,475
Commercial loans	47,073,615	6,790,037	2,297,849	206,323	51,359,480
Commercial mortgages	215,747,108	8,378,723	1,097,928	857,491	222,170,412
Consumer loans	78,128,937	520,647	393,950	157,734	78,097,900
Consumer mortgages	178,519,476	1,397,111	118,329	165,593	179,632,665
Lines of credit	21,550,908	-	-	252,935	21,297,973
	898,306,677	17,553,222	3,931,746	2,337,486	909,590,667
Foreclosed assets	229,722	-	-	-	229,722
Accrued interest	4,622,723	1,090,047	1,090,047	-	4,622,723
	903,159,122	18,643,269	5,021,793	2,337,486	914,443,112

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

The allowance for loan impairment changed as follows:

	2023	*2022*
Balance, beginning of year	**7,359,279**	2,009,032
Provision for impaired loans	**1,076,561**	941,428
	8,435,840	2,950,460
Add (less): accounts written off, net of recoveries	**372,224**	(1,418,418)
Add: acquired through business combination	**-**	5,827,237)
Balance, end of year	**8,808,064**	7,359,279

8. Other assets

	2023	*2022*
Accounts receivable	**751,799**	12,381,505
Prepaid expenses and deposits	**1,503,224**	1,232,007
Deferred tax asset *(Note 13)*	**958,217**	1,197,992
Goodwill	**152,022**	152,022
	3,365,262	14,963,526

The purchases of various subsidiaries resulted in a goodwill balance equal to that of the purchase price less the net identifiable assets at the time of purchase. There has been no impairment of goodwill.

9. Property, plant, and equipment

	Land	***Buildings***	***Computer software***	***Office equipment***	***Automobiles***	***Total***
Cost						
Balance at December 31, 2021	478,675	22,265,057	2,360,846	3,548,086	355,854	29,008,518
Additions	-	159,655	133,200	98,771	94,876	486,502
Disposals	-	-	(219,285)	-	(35,766)	(255,051)
Acquisitions through business combinations	6,949	838,317	300,061	281,203	-	1,426,530
Balance at December 31, 2022	485,624	23,263,029	2,574,822	3,928,060	414,964	30,666,499
Additions	**-**	**322,698**	**474,180**	**121,210**	**214,672**	**1,132,760**
Disposals	**-**	**(206,475)**	**(5,190)**	**(24,318)**	**(47,437)**	**(283,420)**
Balance at December 31, 2023	**485,624**	**23,379,252**	**3,043,812**	**4,024,952**	**582,199**	**31,515,839**

9. Property, plant, and equipment *(Continued from previous page)*

	Land	*Buildings*	*Computer software*	*Office equipment*	*Automobiles*	*Total*
Accumulated depreciation						
Balance at December 31, 2021	-	11,016,520	1,851,840	2,360,238	237,379	15,465,977
Depreciation	-	761,862	157,686	377,569	51,078	1,348,195
Disposals	-	-	(219,285)	-	(35,766)	(255,051)
Acquisitions through business combinations	-	480,663	277,289	226,179	-	984,131
Balance at December 31, 2022	-	12,259,045	2,067,530	2,963,986	252,691	17,543,252
Depreciation	-	**713,825**	**209,691**	**345,838**	**57,341**	**1,326,695**
Disposals	-	**(44,896)**	**(5,190)**	**(24,318)**	**(12,518)**	**(86,922)**
Balance at December 31, 2023	-	**12,927,974**	**2,272,031**	**3,285,506**	**297,514**	**18,783,025**
Net book value						
At December 31, 2022	485,624	11,003,984	507,292	964,074	162,273	13,123,247
At December 31, 2023	**485,624**	**10,451,278**	**771,781**	**739,446**	**284,685**	**12,732,814**

10. Intangible assets

	Customer lists	*Indefinite life licenses*	*Definite life licenses*	*Total*
Cost				
Balance at December 31, 2021	3,647,949	787,898	428,400	4,864,247
Acquisition through business combination	298,432	74,608	-	373,040
Balance at December 31, 2022	3,946,381	862,506	428,400	5,237,287
Balance at December 31, 2023	**3,946,381**	**862,506**	**428,400**	**5,237,287**
Amortization and impairment losses				
Balance at December 31, 2021	402,500	-	34,272	436,772
Amortization	159,795	-	17,136	176,931
Balance at December 31, 2022	562,295	-	51,408	613,703
Amortization	**161,784**	-	**17,136**	**178,920**
Balance at December 31, 2023	**724,079**	-	**68,544**	**792,623**

10. Intangible assets *(Continued from previous page)*

	Customer lists	*Indefinite life licenses*	*Definite life licenses*	*Total*
Carrying amounts				
At December 31, 2022	3,384,086	862,506	376,992	4,623,584
At December 31, 2023	**3,222,302**	**862,506**	**359,856**	**4,444,664**

Intangible assets with indefinite useful lives

The indefinite life asset consists of insurance licenses which are required to operate in Saskatchewan. The licenses do not expire, therefore, the licences have an indefinite useful life.

11. Line of credit

SaskCentral

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at prime minus 0.5% (6.70% at December 31, 2023) in the amount of $23,600,000 (2022 - $22,300,000) from SaskCentral. As at December 31, 2023, $nil was advanced (2022 - $nil).

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

Concentra Bank

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at three month CDOR plus 0.65% (6.10% at December 31, 2023), in the amount of $20,000,000 (2022 - $20,000,000) from Concentra Bank. As at December 31, 2023 the balance was $nil (2022 - $nil). Unadvanced balances carry a standby fee of 15 basis points annually, assessed monthly back to the approval date on unused average balances. This line of credit is secured by a General and Specific Security agreement granting a second charge security interest, mortgage, pledge and charge over all of the Credit Union's present and after-acquired property, both real and personal.

12. Member deposits

	2023	*2022*
Chequing and non-registered savings	**681,346,663**	715,696,928
Registered plans	**147,574,938**	137,819,611
Term deposits	**220,944,427**	207,462,275
Accrued interest	**7,729,629**	4,754,126
	1,057,595,657	1,065,732,940

Total deposits include $5,782,829 (2022 - $2,379,041) denominated in foreign currencies.

Member deposits are subject to the following terms:

- Chequing and non-registered savings products are due on demand and bear interest at rates up to 5.70% (2022 - 5.00%).
- Registered plans are subject to fixed and variable rates of interest up to 6.00% (2022 - 5.00%), with interest payments due monthly, annually, or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 6.00% (2022 - 6.50%), with interest payments due monthly, annually, or on maturity.

13. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 15% (2022 - 15%) and the provincial tax rate of 12% (2022 - 12%).

Deferred tax asset (liability)

The movement in deferred tax assets and liabilities are:

	2023	*2022*
Deferred tax asset (liability)		
Property, plant, and equipment	**279,098**	380,682
Intangible assets	**(30,920)**	(21,241)
Liabilities that are deducted for tax purposes only when paid	**-**	69,898
Losses available for offset against future earnings	**88,667**	38,100
Allowance for impaired loans	**838,230**	730,553
Unrealized gains on fair value through profit or loss investment funds	**(216,858)**	-
	958,217	1,197,992

Net deferred tax asset is reflected in the consolidated statement of financial position as follows:

Deferred tax asset	**958,217**	1,197,992

Reconciliation between average effective tax rate and the applicable tax rate

	2023	*2022*
Applicable tax rate	**27.00 %**	27.00 %
Non-taxable portion of dividends	**- %**	(15.74)%
Difference in expected income tax rates	**(0.68)%**	- %
Non-deductible and other items	**0.86 %**	0.50 %
Average effective tax rate (tax expense divided by profit before tax)	**27.18 %**	11.76 %

14. Other liabilities

	2023	*2022*
Accounts payable	**6,301,839**	4,792,244
Corporate income tax payable	**186,574**	568,932
	6,488,413	5,361,176

15. Membership shares

Authorized:

Unlimited number of Common shares, at an issue price of $5-$10

Issued:

	2023	*2022*
17,132 Membership shares (2022 - 17,006)	**86,430**	85,920

All common shares are classified as liabilities.

When an individual becomes a member of the Credit Union, they are issued a common share at $5 per share. Each member of the Credit Union has one vote, regardless of the number of common shares held.

During the year, the Credit Union issued 988 (2022 - 1,048), acquired nil through business combination (2022 - 1,390), and redeemed 862 (2022 - 953) common shares.

16. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Project Officer, Chief Information Officer, Chief Business Officer, Vice Presidents of all service lines, and members of the Board of Directors.

KMP remuneration includes the following expenses:

	2023	*2022*
Salaries and short-term benefits	**2,472,649**	2,298,418
Post-employment benefits	**121,151**	122,594
	2,593,800	2,421,012

Transactions with key management personnel

The Credit Union, in accordance with its policy, grants credit to its directors, management, and staff. The management and staff rates may be slightly below member rates. Directors pay regular member rates on loans.

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

Directors, management, and staff of the Credit Union hold deposit accounts. These accounts are maintained under the same terms and conditions as accounts of other members, and are included in deposit accounts on the consolidated statement of financial position. Management and staff may be eligible for bonus rates on deposit accounts.

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

In the ordinary course of business, the Credit Union provided normal financial services to its wholly-owned subsidiaries 102125001 Saskatchewan Ltd. and PCCU Insurance Ltd. on terms similar to those offered to non-related parties and to PCCU Accounting Ltd., and PCCU Real Estate Ltd., wholly owned subsidiaries of PCCU Insurance Ltd.

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

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

	2023	*2022*
Aggregate loans to KMP	**4,452,590**	5,641,646
Aggregate revolving credit facilities to KMP	**3,508,820**	3,373,820
Less: approved and undrawn lines of credit	**(2,259,117)**	(2,602,176)
	5,702,293	6,413,290

	2023	*2022*
During the year the aggregate value of loans disbursed to KMP amounted to:		
Revolving credit	**605,587**	357,431
Mortgages	**581,929**	579,636
Loans	**68,485**	489,602
	1,256,001	1,426,669

	2023	*2022*
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**262,914**	238,787
Interest paid on deposits to KMP	**78,016**	37,867

	2023	*2022*
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**5,407,210**	4,470,614
Term deposits	**1,772,518**	1,213,924
Registered plans	**385,281**	299,710
Total value of member deposits due to KMP	**7,565,009**	5,984,248

Directors' fees and expenses

	2023	*2022*
Directors' expenses	**26,772**	17,840
Meeting, training, and conference costs	**35,207**	91,272

SaskCentral

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

Interest and dividends earned on investments during the year ended December 31, 2023 amounted to $7,763,109 (2022 - $15,301,012 of which $11,716,571 related to the dividend accrued from SaskCentral in relation to the sale of Concentra Bank shares).

Interest paid on borrowings during the year ended December 31, 2023 amounted to $17,519 (2022 - $78,611).

Payments made for affiliation dues for the year ended December 31, 2023 amounted to $52,353 (2022 - $48,562).

17. Capital management

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

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

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

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

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

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

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

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2023:

	Regulatory standards	***Board limits***
Total eligible capital to risk-weighted assets	**10.50 %**	**11.50 %**
Total tier 1 capital to risk-weighted assets	**8.50 %**	**8.50 %**
Common equity tier 1 capital to risk-weighted assets	**7.00 %**	**7.00 %**
Leverage ratio	**5.00 %**	**7.00 %**

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

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

The following table summarizes key capital information:

	2023	2022
Eligible capital		
Common equity tier 1 capital	**111,040,373**	103,397,633
Additional tier 1 capital	**-**	-
Total tier 1 capital	**111,040,373**	103,397,633
Total tier 2 capital	**2,722,003**	2,423,406
Total eligible capital	**113,762,376**	105,821,039
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**13.16 %**	12.65 %
Total tier 1 capital to risk-weighted assets	**12.84 %**	12.36 %
Common equity tier 1 capital to risk-weighted assets	**12.84 %**	12.36 %
Leverage ratio	**9.47 %**	8.89 %

18. Financial instruments

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

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

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

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

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

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

Credit risk

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

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

Risk management process

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

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

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

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

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

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

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

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

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

	2023	*2022*
Unadvanced lines of credit	**189,125,349**	180,513,598
Guarantees and standby letters of credit	**3,807,425**	5,195,425
Commitments to extend credit	**22,292,833**	11,056,045
	215,225,607	196,765,068

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

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

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

Measurement of expected credit losses

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

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

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

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

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of inflation and interest rate changes, based on information and facts available at December 31, 2023. The macroeconomic factors that affect the Credit Union's expected credit loss calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. Each factor is forecast in a base case, a best case and a worst case scenario. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses. Key assumptions of the simulations are flat to decreasing interest rates, inflationary pressures, the quality of credit, and the borrower's future ability to service debt. The information for these assumptions is based off 2023 economic forecasts. These assumptions were shocked up and down 10-30% in the best and worst case scenario.

The typical weighting used in the model is 80% base, 10% best and 10% worst case, as the base case is historically the most likely scenario. Due to uncertainties around the macroeconomic environment, the weightings chosen at December 31, 2022 were adjusted to 50% base, 10% best and 40% worst case. The weightings have been revised back to 80% base, 10% best and 10% worst case at December 31, 2023.

Management had to use judgment in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed to increase or decrease the allowance. The negative effects of inflationary pressures and sustained interest rates were weighed against the model. This approach resulted in an increase of approximately $687,522 (2022 - $nil) to the allowance for expected credit losses at December 31, 2023.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when the security relating to the loan has been sold and there are remaining amounts outstanding or the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

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

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

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

	2023 12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Consumer loans and lines of credit				
Low risk	108,167,614	-	-	108,167,614
Medium risk	-	1,389,690	-	1,389,690
Default	-	-	1,599,185	1,599,185
Total gross carrying amount	108,167,614	1,389,690	1,599,185	111,156,489
Less: loss allowance	201,135	12,157	667,099	880,391
Total carrying amount	107,966,479	1,377,533	932,086	110,276,098
Residential mortgages				
Low risk	185,668,321	-	-	185,668,321
Medium risk	-	1,187,993	-	1,187,993
Default	-	-	655,887	655,887
Total gross carrying amount	185,668,321	1,187,993	655,887	187,512,201
Less: loss allowance	116,968	4,864	119,923	241,755
Total carrying amount	185,551,353	1,183,129	535,964	187,270,446
Commercial loans and lines of credit				
Low risk	275,092,091	-	-	275,092,091
Medium risk	-	86,445	-	86,445
Default	-	-	16,306,033	16,306,033
Total gross carrying amount	275,092,091	86,445	16,306,033	291,484,569
Less: loss allowance	1,310,162	2,248	5,836,909	7,149,319
Total carrying amount	273,781,929	84,197	10,469,124	284,335,250
Agricultural loans and lines of credit				
Low risk	363,257,295	-	-	363,257,295
Medium risk	-	389,505	-	389,505
Default	-	-	626,408	626,408
Total gross carrying amount	363,257,295	389,505	626,408	364,273,208
Less: loss allowance	449,117	2,727	83,933	535,777
Total carrying amount	362,808,178	386,778	542,475	363,737,431
Local government loans and lines of credit				
Low risk	6,626,525	-	-	6,626,525
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	6,626,525	-	-	6,626,525
Less: loss allowance	822	-	-	822
Total carrying amount	6,625,703	-	-	6,625,703

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

	12-month ECL	***2023 Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Total				
Low risk	**938,811,846**	**-**	**-**	**938,811,846**
Medium risk	**-**	**3,053,633**	**-**	**3,053,633**
Default	**-**	**-**	**19,187,513**	**19,187,513**
Total gross carrying amount	**938,811,846**	**3,053,633**	**19,187,513**	**961,052,992**
Less: loss allowance	**2,078,204**	**21,996**	**6,707,864**	**8,808,064**
Total carrying amount	**936,733,642**	**3,031,637**	**12,479,649**	**952,244,928**

	12-month ECL	*2022 Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans and lines of credit				
Low risk	79,031,238	-	-	79,031,238
Medium risk	-	825,139	-	825,139
Default	-	-	520,647	520,647
Total gross carrying amount	79,031,238	825,139	520,647	80,377,024
Less: loss allowance	151,602	12,762	401,318	565,682
Total carrying amount	78,879,636	812,377	119,329	79,811,342
Residential mortgages				
Low risk	177,771,076	-	-	177,771,076
Medium risk	-	420,309	-	420,309
Default	-	-	1,725,201	1,725,201
Total gross carrying amount	177,771,076	420,309	1,725,201	179,916,586
Less: loss allowance	117,020	695	204,163	321,878
Total carrying amount	177,654,056	419,614	1,521,038	179,594,708
Commercial loans and lines of credit				
Low risk	265,604,290	-	-	265,604,290
Medium risk	-	-	-	-
Default	-	-	15,312,988	15,312,988
Total gross carrying amount	265,604,290	-	15,312,988	280,917,278
Less: loss allowance	1,157,465	-	4,445,612	5,603,077
Total carrying amount	264,446,825	-	10,867,376	275,314,201
Agricultural loans and lines of credit				
Low risk	368,124,540	-	-	368,124,540
Medium risk	-	3,012,896	-	3,012,896
Default	-	-	466,705	466,705
Total gross carrying amount	368,124,540	3,012,896	466,705	371,604,141
Less: loss allowance	811,809	9,974	46,592	868,375
Total carrying amount	367,312,731	3,002,922	420,113	370,735,766

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

	12-month ECL	*2022 Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Local government loans and lines of credit				
Low risk	3,044,870	-	-	3,044,870
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	3,044,870	-	-	3,044,870
Less: loss allowance	267	-	-	267
Total carrying amount	3,044,603	-	-	3,044,603
Total				
Low risk	893,576,014	-	-	893,576,014
Medium risk	-	4,258,344	-	4,258,344
Default	-	-	18,025,541	18,025,541
Total gross carrying amount	893,576,014	4,258,344	18,025,541	915,859,899
Less: loss allowance	2,238,163	23,431	5,097,685	7,359,279
Total carrying amount	891,337,851	4,234,913	12,927,856	908,500,620

Concentrations of credit risk

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

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	***Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
Consumer loans and lines of credit				
Balance at January 1, 2022	**29,194**	**3,152**	**161,653**	**193,999**
Net remeasurement of loss allowance	**122,408**	**9,610**	**239,665**	**371,683**
Balance at December 31, 2022	**151,602**	**12,762**	**401,318**	**565,682**
Net remeasurement of loss allowance	**49,533**	**(605)**	**265,781**	**314,709**
Balance at December 31, 2023	**201,135**	**12,157**	**667,099**	**880,391**
Residential mortgages				
Balance at January 1, 2022	**44,144**	**140**	**264,243**	**308,527**
Net remeasurement of loss allowance	**72,876**	**555**	**(60,080)**	**13,351**
Balance at December 31, 2022	**117,020**	**695**	**204,163**	**321,878**
Net remeasurement of loss allowance	**(52)**	**4,169**	**(84,240)**	**(80,123)**
Balance at December 31, 2023	**116,968**	**4,864**	**119,923**	**241,755**

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Commercial loans and lines of credit				
Balance at January 1, 2022	308,076	637	546,813	855,526
Net remeasurement of loss allowance	849,389	(637)	3,898,799	4,747,551
Balance at December 31, 2022	1,157,465	-	4,445,612	5,603,077
Net remeasurement of loss allowance	152,697	2,248	1,391,297	1,546,242
Balance at December 31, 2023	1,310,162	2,248	5,836,909	7,149,319
Agriculture loans and lines of credit				
Balance at January 1, 2022	388,081	276	262,430	650,787
Net remeasurement of loss allowance	423,728	9,698	(215,838)	217,588
Balance at December 31, 2022	811,809	9,974	46,592	868,375
Net remeasurement of loss allowance	(362,692)	(7,247)	37,341	(332,598)
Balance at December 31, 2023	449,117	2,727	83,933	535,777
Local government loans and lines of credit				
Balance at January 1, 2022	193	-	-	193
Net remeasurement of loss allowance	74	-	-	74
Balance at December 31, 2022	267	-	-	267
Net remeasurement of loss allowance	555	-	-	555
Balance at December 31, 2023	822	-	-	822
Total				
Balance at January 1, 2022	769,688	4,205	1,235,139	2,009,032
Net remeasurement of loss allowance	1,468,475	19,226	3,862,546	5,350,247
Balance at December 31, 2022	2,238,163	23,431	5,097,685	7,359,279
Net remeasurement of loss allowance	(159,959)	(1,435)	1,610,179	1,448,785
Balance at December 31, 2023	2,078,204	21,996	6,707,864	8,808,064

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

The carrying amount of SaskCentral and Concentra Bank shares, as disclosed in Note 6, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements for these balances.

Market risk

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

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

Risk measurement

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

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

Objectives, policies, and processes

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

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

Interest rate risk

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

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

Sensitivity analysis is used to assess the change in value of the Credit Union’s financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would decrease net interest margin by $16,213 (2022 - $1,050,937) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would increase net interest margin by $16,213 (2022 - $1,050,937) over the next 12 months.

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

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

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

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

Interest rate sensitivity

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

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

Contractual repricing and maturity

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

(In thousands)

	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-interest sensitive	2023 Total	2022 Total
Assets							
Cash and cash equivalents	87,685	40,000	-	-	9,424	**137,109**	124,322
Average yield %	*5.11*	*5.11*	-	-	-	*4.76*	*3.64*
Investments	-	11,625	11,509	30,000	10,907	**64,041**	108,385
Average yield %	-	*5.11*	*1.94*	*2.10*	-	*2.26*	*2.00*
Member loans receivable	139,992	25,683	95,891	683,592	13,730	**958,888**	914,443
Average yield %	*8.42*	*3.79*	*5.03*	*4.40*	-	*4.97*	*4.38*
Accounts receivable	-	-	-	-	752	**752**	12,382
	227,677	**77,308**	**107,400**	**713,592**	**34,813**	**1,160,790**	1,159,532
Liabilities							
Member deposits	230,012	85,883	96,595	162,836	482,270	**1,057,596**	1,065,733
Average yield %	*4.70*	*4.39*	*4.03*	*3.23*	-	*2.24*	*1.48*
Accounts payable	-	-	-	-	6,302	**6,302**	4,792
Membership shares	-	-	-	-	86	**86**	86
	230,012	**85,883**	**96,595**	**162,836**	**488,658**	**1,063,984**	1,070,611
Net sensitivity	**(2,335)**	**(8,575)**	**10,805**	**550,756**	**(453,845)**	**96,806**	88,921

Liquidity risk

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

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

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

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

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

The primary liquidity risk policies and procedures include the following:

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

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

The following table details contractual maturities of financial liabilities:

As at December 31, 2023:

(In thousands)

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Member deposits	**894,760**	**85,006**	**77,830**	**1,057,596**
Accounts payable	**6,302**	**-**	**-**	**6,302**
Membership shares	**-**	**-**	**86**	**86**
	901,062	**85,006**	**77,916**	**1,063,984**

As at December 31, 2022:

(In thousands)

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Member deposits	904,037	83,809	77,887	1,065,733
Accounts payable	4,792	-	-	4,792
Membership shares	-	-	86	86
	908,829	83,809	77,973	1,070,611

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

As at December 31, 2023:

(In thousands)

	< 1 year	**1-2 years**	**> 2 years**	**Total**
Cash and cash equivalents	**137,109**	**-**	**-**	**137,109**
Investments	**34,041**	**8,875**	**21,125**	**64,041**
Member loans receivable	**275,296**	**129,745**	**553,847**	**958,888**
Accounts receivable	**752**	**-**	**-**	**752**
	447,198	**138,620**	**574,972**	**1,160,790**

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

As at December 31, 2022:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	124,322	-	-	124,322
Investments	75,876	12,509	20,000	108,385
Member loans receivable	255,031	111,727	547,685	914,443
Accounts receivable	12,382	-	-	12,382
	467,611	124,236	567,685	1,159,532

19. Fair value measurements

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

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

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

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

In determining fair value measurements, the Credit Union uses net present value valuation techniques and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

Financial assets and financial liabilities measured at fair value

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

				2023
(In thousands)	***Fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash	**9,424**	**9,424**	**-**	**-**
SaskCentral and Concentra bank shares	**5,038**	**-**	**-**	**5,038**
Other equity instruments	**5,153**	**-**	**5,153**	**-**
	19,615	**9,424**	**5,153**	**5,038**

				2022
(In thousands)	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Cash	9,614	9,614	-	-
SaskCentral and Concentra bank shares	8,570	-	-	8,570
Other equity instruments	3,813	-	3,813	-
	21,997	9,614	3,813	8,570

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

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

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

Financial instruments not measured at fair value

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

					2023
(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets measured at amortized cost					
Cash equivalents	**127,685**	**127,685**	**127,685**	**-**	**-**
Investments	**53,850**	**52,775**	**-**	**52,775**	**-**
Member loans receivable	**958,888**	**921,120**	**-**	**921,120**	**-**
Accounts receivable	**752**	**752**	**-**	**752**	**-**
	1,141,175	**1,102,332**	**127,685**	**974,647**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**1,057,596**	**1,054,013**	**-**	**1,054,013**	**-**
Accounts payable	**6,302**	**6,302**	**-**	**6,302**	**-**
Membership shares	**86**	**86**	**-**	**-**	**86**
	1,063,984	**1,060,401**	**-**	**1,060,315**	**86**

					2022
(In thousands)	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at amortized cost					
Cash equivalents	114,708	114,708	114,708	-	-
Investments	96,002	93,708	-	93,708	-
Member loans receivable	914,443	871,778	-	871,778	-
Accounts receivable	12,382	12,382	-	12,382	-
	1,137,535	1,092,576	114,708	977,868	-
Financial liabilities measured at amortized cost					
Member deposits	1,065,733	1,061,978	-	1,061,978	-
Accounts payable	4,792	4,792	-	4,792	-
Membership shares	86	86	-	-	86
	1,070,611	1,066,856	-	1,066,770	86

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

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

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

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

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

20. Commitments

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. As at December 31, 2023, the Credit Union had the following other commitments subject to credit risk:

	2023	*2022*
Venture Capital cash calls		
APEX III Investment Fund	**74,686**	92,987
APEX IV Investment Fund	**1,113,004**	1,250,000
Conexus Venture Capital Fund	**23,530**	73,572
Emmertech Fund	**112,500**	162,500
MDL Real Estate Income Fund	**176,083**	249,417
Westcap MBO III Investment Fund	**284,500**	387,000
	1,784,303	2,215,476

Other commitments

In 2016, the Credit Union entered into a seven year commitment with Celero for the provision of retail banking services. In 2021, the agreement was extended another three years. The annual operating fee is calculated based on the average number of outstanding accounts throughout the year. The annual operating fees for the year ended December 31, 2023 were $485,103 (2022 - $474,051) and recorded as an expense. The annual estimated fee for the year ended December 31, 2024 is $515,574 (2023 - $485,103).

In 2021, the Credit Union entered into a three year commitment with DocuSign for the provision of eSignature services. The total remaining commitment for the one year period from January 15, 2024 to January 14, 2025 is $65,536.

In 2022, the Credit Union entered into a five year commitment with Empyrean Solutions for software licences. The total remaining commitment for the four year period from October 31, 2023 to October 30, 2027 is $207,322.

21. Contingent liabilities

The Credit Union has been named in certain legal actions. These actions are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Accordingly, no provision has been made in these consolidated financial statements for any liability that may result. The Credit Union's share of settlement, if any, will be charged to expenses in the year in which the amount is determinable.