ANNUAL REPORT 2022

TURTLEFORD
Credit Union

Saskatchewan Credit Unions
saskcu.com

TURTLEFORD CREDIT UNION LIMITED

51ST ANNUAL GENERAL MEETING

MONDAY, MARCH 27TH, 2023

TURTLEFORD CREDIT UNION

AGENDA

6:30PM Annual Meeting

- Call to Order
  President's Opening Remarks
- Confirmation of a Quorum
- Adoption of Agenda
- Minutes of the 50th Annual General Meeting
- President's and General Manager's Report
- Management Discussion and Analysis Report
- Auditor's Report
- Appointment of Auditors
- Nominating Committee Report
- Other Business
- Door prizes
- Adjournment

TURTLEFORD CREDIT UNION LIMITED STAFF

As of December 31st 2022

Back Row (Left-Right):
Shelly Tucker, *Investment Relationship Officer*; Jessica Scott, *Marketing Officer*; Katelynn Bannerman, *Investment Relationship Officer.*

Front Row (Left - Right):
Shelley Lavoie, *MSR*; Heather Thomson, *MSR*; Netanis Tarr, *MSR*; Sara Hudjik, *MSR*; Holly Matias, *Office Manager*

Missing from Photo: Shay Macnab, *MSR*

(Left-Right):
Kerry Domes, *Accounting Administrator*; Ian Heggstrom, *General Manager*; Patricia Fink, *Loans Officer*, Denise Jalbert, *Loans Officer*; Melanie Locke, *Loans Clerk*; Julie Brendle, *Loans Manager*

TURTLEFORD CREDIT UNION LIMITED BOARD OF DIRECTORS

As of December 31st 2022

Robert Mitchell
President

Conor Johnson
Vice President

Neil Gervais

Bruce Meikle

Rob Bannerman

Larry Macnab

Terry Maess

Jeff Pilling

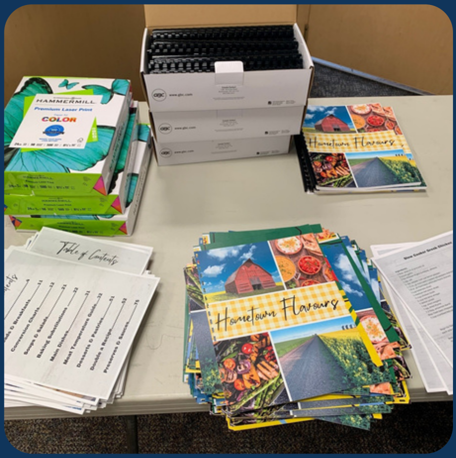
Trudy McMurphy

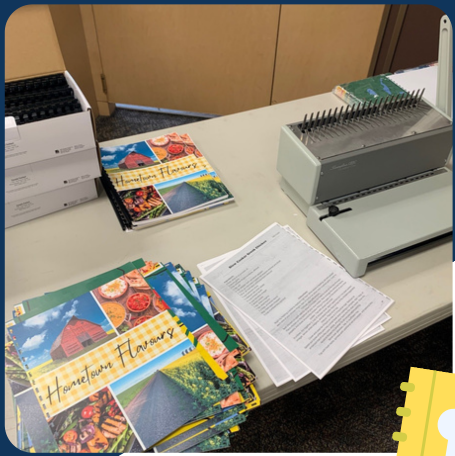
2022 AT TURTLEFORD CU

Valentine's Day Giveaway

St. Patrick's Day

Kindergarten Tour





Cookbook Fundraiser

Summer Students

Zach & Abbey

ICU DAY OCT 20TH

CLASS OF 2022

HALLOWEEN TRICK OR TREATERS

50TH ANNIVERSARY EVENTS

ANNUAL BBQ

ANNIVERSARY SUPPER & DANCE

CHRISTMAS AT THE TCU

Merry Christmas

Christmas Gift Basket Giveaway Winners

ANNUAL MEETING OF THE MEMBERS OF THE TURTLEFORD CREDIT UNION LIMITED

1. Affidavit of Completion of Reports:

I, Ian Heggstrom, General Manager of Turtleford Credit Union, make oath and say that:

The Auditor's Report and Financial Statements at December 31, 2022 were made available to the Membership on March 16, 2023, which is at least 10 days prior to the Annual Meeting.

2. Proof of Notice:

CANADA	)	I, Ian Heggstrom
PROVINCE OF SASKATCHEWAN	)	of the Town of Turtleford
	)	in the Province of Saskatchewan,
	)	Secretary of Turtleford Credit Union Limited

TO WIT:

That I have personal knowledge that the notice of this annual meeting was duly prepared and given to its members, as required by the Bylaws of the Turtleford Credit Union.

Notice was posted in the Turtleford Credit Union office on February 6, 2023;

And the Turtleford Credit Union website www.turtlefordcu.ca on February 6, 2023;

And published in the Regional News Optimist weekly from February 2nd 2023 to March 8th , 2023.

Sworn before me at the Town of Turtleford)
In the Province of Saskatchewan this 21st day of)
March, 2023.)

A Commissioner for Oaths in and for the
Province of Saskatchewan.
My Appointment expires November 30, 2025.

TURTLEFORD CREDIT UNION LIMITED
Minutes of the 50th Annual General Meeting
Monday March 28th, 2022 at Turtleford Credit Union Limited

Due to the ongoing COVID-19 pandemic, Turtleford Credit Union Limited (TCU) was forced to again cancel the annual supper this year, and utilized virtual channels for this year's AGM. Specifically, the use of Microsoft Teams to facilitate the meeting with the membership, with a digital copy of the Annual Report posted on the website for members to access and follow.

Robert Mitchell, President of the Board of Directors, welcomed everyone to the Teams meeting for this year's AGM. There were 23 members who attended the meeting, and 7 non-members this year.

Following some housekeeping items relating to holding a Teams meeting from Ian Heggstrom, General Manager, Robert Mitchell called the meeting to order at 6:34 pm, and advised that the Board appointed Robert Mitchell as Chair for the meeting, and Kerry Domes to stand as Secretary for the meeting.

Robert Mitchell then introduced the Board of Directors. Confirmation of a quorum present, and that the meeting was regularly and lawfully convened, and could proceed, was noted.

Adoption of Agenda

Robert Mitchell called for a motion to approve the Agenda as presented.
M/S Bruce Meikle/Larry Macnab that the Agenda be adopted as presented. **CD.**

Adoption of Previous Year's Minutes

It was noted that the Annual Report was provided online, and in print in the office, prior to the meeting. Members were asked if there were any questions as regards the previous years' meeting, and hearing none Robert Mitchell called for a motion to adopt the Minutes as presented.
M/S Rob Bannerman/Conor Johnson that the minutes of the 49th Annual General Meeting be accepted as presented. **CD.**

President's and General Manager's Report

Robert Mitchell, President of the Board of Directors, presented the President's and General Manager's Report.

Management Discussion & Analysis Report

Ian Heggstrom, General Manager, provided a summary of the year, referencing the MD&A report. There were no questions raised after the report was presented.

M/S Denise Jalbert/Terry Maess that the President's Report and Management Discussion and Analysis report be accepted as presented. **CD.**

Auditor's Report

Curt Wagner, Partner with MNP, presented a brief summary of the Auditor's Report and Annual Financial Statements. In sum, it was a clean audit, as noted in the Report. There were no questions raised after the presentation.

M/S Bruce Meikle/Denise Jalbert that the Auditor's Report and Annual Financial Statement be accepted as presented. **CD.**

Appointment of Auditor

Robert Mitchell, as recommended by the Audit Committee and supported by the Board of Directors, asked for a motion from the floor to appoint Meyers Norris Penny as Auditors for the 2022 tax year.

M/S Julie Brendle/Conor Johnson that the firm of Meyers Norris Penny (MNP) be appointed as External Auditor for 2022. **CD.**

Bylaw Amendment Proposal

Ian Heggstrom, General Manager, provided a summary of the proposed changes to the Bylaws of the Credit Union. It was noted that a redline version of the Bylaws, and a clean copy of the proposed revised version, was posted to the website for review. The driver behind the proposed amendment is in the area of Director elections, an evolution to holding elections prior to the AGM, to better streamline the Annual Meeting and move to where most credit unions seem to be now. While opening the Bylaws for review, we are also proposing updating a section allowing the option of electronic voting, where now it currently demands in-person – and we have seen in the last two years that having flexibility there is prudent. **M/S Jennifer Heggstrom/Neil Gervais** to adopt as presented. Members were asked to vote *In favour* or *Opposed* in the Poll feature, CD unanimously.

Nominating Committee Report / Elections

Conor Johnson, on behalf of the Nominating Committee, reported that, as per Credit Union bylaws, a call for nominations is required at least 21 days before the Annual Meeting. Accordingly, a call for nominations was posted February 25th, 2022, with nominations closed as of March 11th, 2022, which provided 15 days of notice. Mr. Johnson also advised that the following Board members' terms were expiring this month: Rob Blais, Glen Bloom, and Terry Maess.

Conor then advised that Rob and Glen, having reached the maximum number of four consecutive three-year terms, have to step down, while Terry chose to let his name stand for election. Trudy McMurphy and Jeff Pilling submitted their names to stand for election. As no further nominations were received, the nominating committee accepted Terry Maess, Trudy McMurphy, and Jeff Pilling as qualifying candidates as per the Credit Union Act 1998, and the policies of the Turtleford Credit Union Limited, and they were declared all three elected for three year terms.

Other Business

Robert Mitchell asked if any members had any other questions for the Board or Management; none were raised.

Door Prizes

Robert Mitchell announced the two winners of this year's door prizes to be Conor Johnson and Terry Maess.

Adjournment

Robert Mitchell again asked if there were any other questions or other business from the floor. As there were none, a motion was requested for adjournment.
Terry Maess moved to adjourn the meeting at 7:10 pm.

Robert Mitchell, President

Ian Heggstrom, General Manager

President’s and General Manager’s Report

Welcome to this, the 51st Annual General Meeting of your Credit Union. And welcome back to everyone who is able to attend our AGM in person, our first in-person meeting in three years. Looking back, it seems hard to believe that three years have passed since we were last able to hold our AGM live, and we would once again offer our thanks for your patience and understanding as we all navigated the tremendous uncertainty generated by the pandemic.

2022, as everyone knows, saw the global pandemic move more-or-less to the back-burner, with the dominating themes of the year shifting to the rapid climb in interest rates, as well as the terrible war ongoing in Ukraine. Quite literally no one was predicting at this time last year that we would end 2022 as we have, it has been quite the ride.

Turtleford Credit Union experienced reasonable asset growth in 2022, ending the year up 4.41% from the year prior, with Assets of just over ~$105.7 million. Deposit growth was of a similar nature, up 2.26% from the previous year. Loan growth in 2022 was more tepid overall, with annual growth of 0.86%, ending the year with a total loans portfolio of ~$63 million. We would note, Turtleford has a long-standing practice of purchasing loans and leases in order to enhance operations, and 2022 saw a disproportionate number of those loans repaid earlier than scheduled. That was a key driver in our weak loan growth, as that reduction was only just offset by organic loan growth.

Our Income Statement this year looks somewhat unique compared to past years. At a high level, as a provincially-regulated Credit Union, we are owners of SaskCentral, which has long been a majority owner of (among other things) Concentra Bank. SaskCentral made the decision to sell their shares in Concentra Bank, and the bottom line is that credit unions in the province received a portion of those sale proceeds. We will let Curt Wagner, a partner with our auditor MNP, speak to more detail on that later in the meeting, when we present the financial statements.

Aside from that one-time influx, the credit union enjoyed a strong year from our regular operations. Thanks in no small part to your support, we ended the year with a very healthy bottom line, allowing us to further improve our capital position, a critical measure of a financial institution’s health. 2022 saw no slowing of competition in the market, and the ever-rising interest rates did not negatively impact operations. Other costs, such as technology, governance, and so on continue to rise; nonetheless, Turtleford Credit Union was reasonably competitive with the average performance of the Saskatchewan system, which saw growth rates in deposits of 3.46% and an average return on assets of 1.54%, albeit shy of the average system growth in loans of 6.33%.

Accordingly, your Board is very pleased to announce the allocation of a patronage distribution to the membership. It was decided to provide those funds directly into members’ deposit accounts, based on formulae as to the amount of business conducted with the credit union. Staff is working with Celero Solutions, our IT provider, in flowing those funds out; we are aiming for that to happen as soon as possible, and at the latest by the end of April.

We know that it is important for you, the membership, to view your Credit Union as a strong, professional organization, well capable of serving all your financial needs. We strive to adhere to the highest degree of quality member service. As a financial institution, things like compliance and regulatory requirements never cease to demand more and more, and we have been up to the challenge. Your Board continues to maintain its commitment to regularly reviewing the strategic direction your Credit Union is taking; monitoring changes in the credit union system within the province such as amalgamations or mergers, as well as similar changes to key vendors and suppliers. These efforts are vital to the ongoing success of the Turtleford Credit Union, in order to determine the best route to take to try and ensure our members will continue to receive the services they want and need in our community now and into the future. We would like to commend each member of your Board of Directors for their dedication to the Credit Union and our local communities.

We would like to remind our members once again, that as part of our offering of products and services like mortgages, loans, deposit accounts, and so on, Turtleford Credit Union also provides Wealth Management services. These services are by appointment only, with our Wealth Specialist Hayden Friedrich, and we encourage our members, regardless of age or net worth, to take advantage of this service.

This year once again we have vacancies on the Board of Directors. The Directors whose terms are expiring are Robert Mitchell, Conor Johnson, and Neil Gervais. Robert and Neil opted to let their names stand for re-election, however Conor has decided to step away to focus on his family. The nominating committee will discuss this area further, later on in the meeting. We would like to thank Conor for his nine years of service to our organization.

We must also thank the staff of the Credit Union for their work this past year. Their efforts in providing professional and friendly service cannot be overstated. Member service is what credit unions are all about, and that shows in the continued success of this organization. The passing of 2022 saw a staff member reach a milestone in their credit union careers. Melanie Locke reached five years of service in the credit union system, congratulations and thank you Melanie.

We are also pleased to announce that a long-standing subject under consideration is finally getting the attention it deserves. The Credit Union is currently running some testing, with the goal of eliminating the current per item fee on most eTransfers. Any eTransfers made up to a limit of 20 per month will be completely free; after that, there will be a per item fee geared for some cost recovery, however that fee will be reduced by half from where it stands today. We have heard members on this issue, and believe this change will be welcomed. Stay tuned for more updates on progress on this initiative.

Last, but certainly not least, we would like to thank you, the members, for your continued support. In Coming Together to Build the Future, the communities we serve continue to strengthen our organization, and we look forward to serving you for years to come.

Respectfully,

Ian Heggstrom	Robert Mitchell
General Manager	President, Board of Directors

Turtleford Credit Union Limited

Management Discussion and Analysis

March 19, 2023

Presented by:

Ian Heggstrom
General Manager

Management Discussion and Analysis 2022

Introduction

Turtleford Credit Union is an independent Saskatchewan credit union owned by our members. Under the current credit union legislation, Turtleford Credit Union is able to provide financial services to members and non-members. As at December 31, 2022 Turtleford Credit Union had 2061 members. Non-members do not participate in the democratic processes of the credit union nor the patronage program.

Our credit union primarily serves the communities of Turtleford, Mervin, Livelong, and Spruce Lake through our Turtleford branch. We provide a range of financial services and credit facilities in the areas of commercial, agricultural, personal, mortgages, etc.

Vision, Mission and Values

Vision As a community owned and operated Credit Union, we adjust and adapt to opportunities to support the development of our community and members as we strive to offer the best financial options for today and the future.

Mission We are a member owned credit union committed to:

- Conducting our business in an honest and professional manner in order to provide the best possible financial services
- Serving our community in a conscientious and ethical manner for the betterment of all involved
- Ensuring growth, stability and financial health, determined locally for the benefit of our community
- Providing a positive environment for all employees to develop and enhance their skills
- Acting on the co-operative principles and supporting system initiatives for mutual benefit

Values The Saskatchewan credit union system consists of a network of autonomous credit unions and Credit Union Central. We are member-owned and democratically controlled. Our goal is to provide a measurable economic and social benefit to members and communities by incorporating the following values in all that we do:

- **Employee Satisfaction** - We respect our employees and their contribution to our success. We have a satisfying, positive working environment and encourage employee involvement and participation. We support their development by providing training and educational opportunities. We respect their need to balance personal and professional lives.
- **Community Impact** - We actively support the development of our communities – provincially and beyond. We present a positive image to the community by sponsoring projects and through the involvement of board and staff.
- **Product Excellence** - Our credit union is committed to provide access to a broad range of affordable products and services tailored to meet or exceed members' financial requirements, with the most flexibility and convenience possible, while offering competitive rates.

- **INTEGRITY** - We conduct business in an honest and professional manner. We achieve mutual trust and respect by valuing and understanding others' views, ideas and feelings.
- **SERVICE EXCELLENCE** - We provide all credit union members with friendly, knowledgeable and helpful service by a trained professional staff.
- **SYSTEM INVOLVEMENT** - We are committed to being involved in the credit union system on a local, provincial and national basis. Members benefit with more products, better security, and greater financial health.
- **LONG-TERM PROSPERITY** - We are committed to the members to do what is necessary to ensure growth, stability and financial health, which will be shared by the operation, the members, the community and the system for years to come.

Credit Union Market Code

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

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

Co-operative Principles

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

Voluntary and Open Membership

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

Democratic Member Control

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

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

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

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

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

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

Strategy

The vision of Turtleford Credit Union is to be the leading provider of financial services / deposit and loan services in the Turtleford area of Saskatchewan. To monitor specific objectives throughout the year that support this vision, we hold monthly Board meetings, as well as an annual review of the Credit Union's historical objectives, in order to update strategic direction as dictated by an ever-changing marketplace.

Our key financial strategic objectives this past year were to have deposit growth above 6%, increase our loan growth to bring our loans-to-asset ratio to 75% within a four-year period, and maintain our reserves-to-assets (i.e.: Leverage Ratio) ratio above Deposit Guarantee's standard of 5%, at 8% minimum as set by Turtleford Credit Union.

Meeting the goal of our vision requires that Turtleford Credit Union not only attract new members, but preserve existing memberships as well. To support our objective of increased customer loyalty, training to front-line employees was provided, with special emphasis on product knowledge to enhance service to the Turtleford Credit Union membership.

Key Performance Drivers

Each year we set corporate-level targets – Key Performance Indicators (KPIs) – to advance our goals and drive desired results. Throughout the organization and in the spirit of growth and continuing improvement, these indicators of performance are regularly measured and monitored, with timely feedback provided about progress toward achieving our goals. The following outlines our key corporate goals, targets, and results from the past year.

	2022 Targets	2022 Results	System
Reserves to (Average) Assets Tier I	12.00-15.00%	18.12%	15.56%
Eligible Capital to (Average) Assets	12.00-15.00%	19.54%	16.44%
Return on Assets (after tax)	0.75%	1.85%	1.54%
Delinquency (Greater than 90 days)	<3.00%	0.82%	0.59%
Loans to Net Assets	75.00%	59.11%	74.59%
Liquidity Coverage Ratio	200 - 400%	508.56%	232.39%
Loan Growth	6.50%	0.86%	6.33%
Deposit Growth	6.00%	2.26%	3.46%

Financial Results

Income Statement Highlights

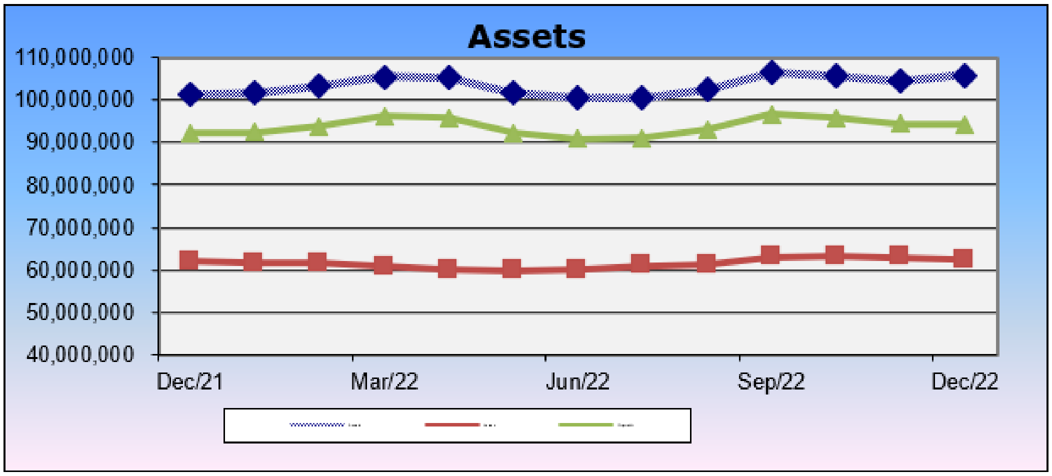
The Credit Union's business continued uninterrupted in most ways during the past year, despite the rapid increases in the Bank of Canada's rate throughout, for which we are thankful. Our income statement shows an outsized bottom line due to the one-time receipt of funds from SaskCentral's sale of its shares in Concentra; however last year was nonetheless one which showed strong performance in terms of net income, with the credit union well exceeding budget projections. Non-interest revenue ended the year at 0.54% of Assets, a nice increase from the previous year. Operating expenses were 2.11% of Assets, little changed from the 2.08% the year prior, and just below the system average of 2.19%. Net Income, before tax and allocations, for the year ended December 31, 2022 was 2.13% of Assets.

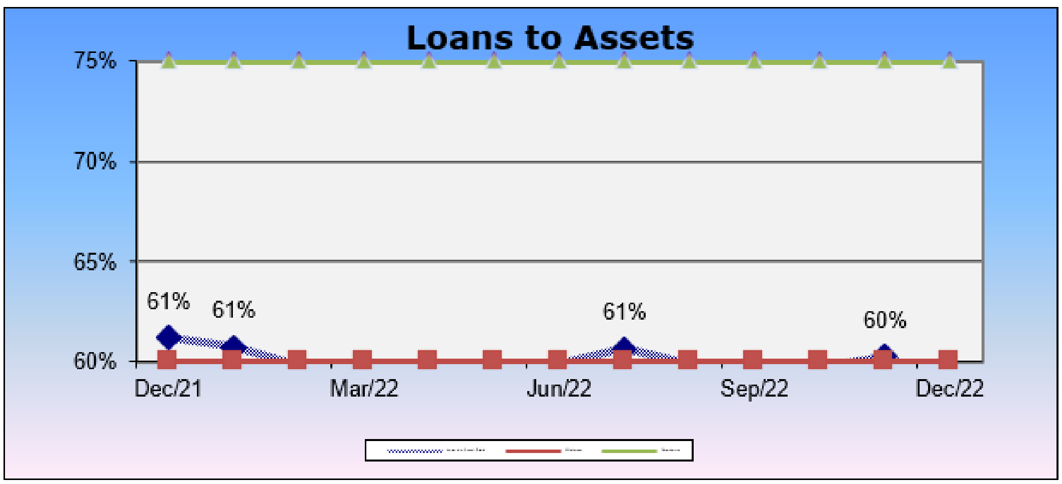
Our allocation to our loan allowance in 2022 was higher than in 2021, as we opted to take a conservative approach to certain files.

Agriculture continues to be a big driver in our communities, and we have been fortunate to consider to see that sector succeed. Your credit union is well capitalized, and we will be working to increase our loans-to-assets ratio, in order to optimize revenue, while maintaining a close eye on cost control. We believe these initiatives will ensure the continued success and viability of your credit union into the future.

Balance Sheet Highlights

Turtleford Credit Union experienced reasonable asset and deposit growth this past year, however our net credit growth was soft. That was due in large part to the earlier-than-scheduled payout of some purchased loans, so we will be actively seeking to reverse that in the year ahead. Deposit growth was about half that which was budgeted in our forecast, 2.26% versus 6%. Turtleford Credit Union ended the 2022 year with a Tier 1 Capital to Asset ratio of 18.12%. The Credit Union's Risk-Weighted (Eligible) Capital ended the year at 19.54%, based on Average Assets. These ratios exceed minimum regulatory requirements of 8.50% and 10.50% respectively, and are an improvement to the already strong ratios from the year before. We will, as always, continue to manage the capital position to ensure that overall capital remains above regulatory requirements and that these two components remain consistent with our long-term capital plan. While operations overall are strong, we would identify the soft loan-to-asset ratio of 59.11% as an area we need to improve, to strengthen the credit union overall. Turtleford Credit Union continues to review opportunities to purchase loans from other credit unions, in order to bolster our lending ratio. Effort will be made in 2022 to increase this ratio, as it is key to greater profitability and the success of the organization. Turtleford Credit Union continues to keep a sufficient level of operating and regulatory liquidity. The Credit Union reviewed its liquidity plan in 2022, to ensure a framework is in place for ongoing liquidity management.





CREDIT/CONCENTRATION

Loan Mix	Prior Year	Current Year
Consumer	35.26%	39.40%
Agriculture	40.78%	38.97%
Commercial	16.94%	12.78%
Leases	7.02%	8.85%

General Outlook

The first month or two of 2022 saw the world continuing to work through the global pandemic. Then, as inflation around the world soared, the Bank of Canada began raising its key benchmark rate, which flows through to financial institutions' Prime lending rates. The rate of increase pursued was one not seen in decades, as they moved from 0.25% in March 2022 to 4.50% in January 2023. This change was of significant concern to your credit union, due to the uncertainty as to its impact on members' cost-of-living, and their ability to service their debts. Nonetheless, Turtleford Credit Union has not, to date, experienced any negative material impact to operations, for which we thank our staff in not having taken on too much risk, and our members for your continued diligence in meeting your obligations.

The expectation for 2023, at present, is for rates to remain quite stable. The full effect of the rate hikes have not yet fully flowed through the economy, and the intention seems to lean towards a wait-and-see approach as to what action will be needed in time. We will of course be keeping a close eye on developments, and will adjust as needed.

Our Budget for 2022 was very conservative, reflecting the high degree of uncertainty in the world. Projections for 2023 are much improved, as we seek to balance improvements in the economy with continued questions of uncertainty in areas such as commodity prices. Credit losses over the past few years have been very manageable, we will continue to watch this in the coming year, as again such macro things as the recent rate hikes and global commodity markets continue to present uncertainty.

On a more local level, as most people would be aware, the Saskatchewan economy felt the impact of shifts in commodity markets as well. Last year in our area saw crop yields and crop prices in a decent interaction. Some are projecting softer commodity prices in 2023, though as always the weather (at home, and abroad) will be a huge determinant on that. To summarize, we would suggest that our local economy continues to do well, and we certainly hope that continues to hold true.

The Credit Union system continues to evolve, provincially and nationally. The more notable trends continue to be positive growth in terms of total assets held within the system, and a steady decline in the number of organizations, as amalgamations and mergers continue year over year.

Saskatchewan Credit Unions				
Date	# Credit Unions	# Credit Union Members	$MM Assets	# Branches
12/31/2022	33	497,389	$28,595	224
12/31/2021	36	490,288	$27,451	232
12/31/2020	39	486,152	$26,536	234
12/31/2019	40	482,009	$24,742	235
12/31/2018	44	481,124	$23,799	247
12/31/2017	46	476,628	$ 22,436	250
12/31/2016	46	474,126	$ 21,596	265
12/31/2015	49	472,102	$ 20,804	267
12/31/2014	51	475,201	$ 19,665	283
12/31/2013	53	490,712	$ 18,214	285
12/31/2012	60	502,413	$ 16,890	299
12/31/2011	61	508,001	$ 15,631	302
12/31/2010	64	474,126	$ 14,034	304
12/31/2009	65	472,702	$ 13,478	310

Enterprise Risk Management

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called Enterprise Risk Management or ERM for short, and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. The management group meets on an annual basis to identify potential risks; the Board will then review the risks to ensure processes are in place to mitigate these risks. Oversight of risk is the responsibility of the audit and risk committee, which is comprised of three Directors. Through this process, the following risks have been identified according to their potential impact on Turtleford Credit Union.

Strategic Risk

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

Two risks were identified in this area, the first as relates to the challenge for local boards to develop and hone the skills necessary to provide proper oversight to the organization. The second relates to the ability to both retain current members, as well as grow new members.

These risks have been rated as low and modest respectively in probability, due to the emphasis the Credit Union currently places on these areas, and the efforts to keep pace as long as the cost/benefit breakdown can be justified.

Market Risk

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

The changes in the interest rate environment have been identified as a market risk to the Credit Union, due in part to Turtleford Credit Union having a significant portion of its credit portfolio in variable rates. That also causes challenges in trying to arrive at a perfectly matched portfolio. Additionally, the relatively low non-interest income of Turtleford Credit Union, due to the decision to provide member service at a reduced cost, provides a smaller cushion to absorb these low rates. In sum, efforts to remain competitive in the market squeezes margins. The possibility of any/all these risks is considered to be moderate. Management reviews rates regularly during the year to ensure the best blend of competitiveness and profitability.

Liquidity Risk

Liquidity risk is the potential inability to meet obligations, such as liability maturities, deposit withdrawals, or the funding of loans, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Our annual review did not identify any significant liquidity risks at this time. The current economic environment has slowed demand for market priced lending, and the loans-to-asset ratio remains well-below the optimal level, meaning the issue facing Turtleford Credit Union is excess liquidity if anything. As always, this is acknowledged to be something to monitor, particularly in the event loan demand should see an increase.

Turtleford Credit Union cultivates a balanced, prudent approach to managing the exposure to liquidity risk. There is always a cost/benefit trade-off between holding lower levels of liquidity in an effort to maximize an optimal return, typically through funding member loans, and higher levels of liquid, low yielding assets such as SaskCentral or Wyth term deposits, with an eye to ensuring any liquidity needs of the organization might be met. Turtleford Credit Union maintains, and continually reviews and revises, Capital and Liquidity Management Plans. The utilization of those, as well as a regular review of an Internal Capital Adequacy Assessment Program (ICAAP), allows for the assessment of the organization's liquidity strategies and contingency plans, under normal, slightly stressed, and more austere projected operating conditions. This contingency planning and related liquidity management process provides a unified liquidity management course of action, to ensure Turtleford Credit Union holds liquidity risks to a tolerable measure.

The management of liquidity risk by Turtleford Credit Union has a number of key aspects, which would include the following:

- Statutory Liquidity. Turtleford maintains a minimum level of monies on deposit with SaskCentral based on regulatory requirements. These amounts are updated on a quarterly basis. As such, SaskCentral is a fundamental partner in Turtleford's liquidity risk management.
- Policies. Your Board of Directors sets Policy that, among other things, establishes targets for minimum liquidity levels, determines a monitoring system, and defines authority levels and responsibilities.
- Monitoring. Activity in loans and deposits are regularly reviewed, and any trends used to project forward appropriate liquidity levels. Monitoring of the external environment is also effected, using a variety of sources of data.
- Patterning. Turtleford's liquidity plan forecasts cash-flow in the organization, over a variety of projected risk situations.
- Diversification of funding. Turtleford maintains reporting on the diversity of its deposit liabilities by source, term, and deposit type. In addition, a credit facility is maintained with SaskCentral as an additional backstop, and a relationship with Concentra Bank is retained to leverage their knowledge and analysis capabilities.
- Stress testing. Turtleford regularly performs stress testing on elements of the organization, which includes the CUDGC prescribed Liquidity Coverage Ratio (LCR), in order to measure the possible effect of various disrupters (both on an organization-specific level and a more macro- or global-level).

The organization keeps a number of liquidity risk fundamentals in mind, including:

- Maintaining a suitable balance between the levels of liquidity held by the organization, and the potential costs of liquidity risk management abatement, factoring in the potential consequences of liquidity stress events.
- Maintaining and growing our base of member deposits.
- Cultivating a flexible liquidity position, to manage both present operations and future growth needs, while keeping the soundness of the organization top of mind.

As per a regulatory requirement of CUDGC, the Credit Union has implemented a Liquidity Coverage Ratio (LCR), the minimum requirement as of January 1st 2019 being 100%. The objective of the LCR is to ensure the Credit Union has a sufficient 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. Your Board has opted to set a target range of 200%-400% for this ratio, in order to provide a greater cushion for this important metric.

Inflow and outflow values are calculated as outstanding balances maturing, or callable, within 30 days of various types of liabilities, off-balance sheet items, or contractual receivables. These items are weighted, with inflow and outflow rates as prescribed by CUDGC. The LCR is then calculated as the weighted value of HQLA divided by the weighted value of total net cash outflows.

	2022		2021	
High Quality Liquid Assets (HQLA):	Actual Value	Weighted Value	Actual Value	Weighted Value
Level 1 HQLA	$5,786,092	$5,786,092	$5,699,165	$5,699,165
Level 2A HQLA	$874,750	$743,537	$735,101	$624,836
Level 2B HQLA	$2,442,839	$1,152,288	$2,164,516	$1,082,258
Total HQLA	$9,103,681	$7,681,917	$8,598,783	$7,406,259
Cash Outflows:				
Total Retail Deposit Run-off	$56,215,138	$2,319,738	$52,713,541	$2,085,494
Total Unsecured Wholesale Funding Run-off	$38,017,341	$3,180,707	$39,439,713	$3,250,584
Total Additional Requirements	$9,733,511	$541,675	$8,112,995	$460,649
Total Cash Outflows	$103,965,990	**$6,042,120**	$100,266,251	**$5,796,728**
Cash Inflows:				
Contractual Inflows	$1,167,216	$583,608	$2,147,480	$1,073,740
Inflows from other counterparties	$6,074,380	$6,074,380	$10,469,694	$10,469,694
Total Cash Inflows	$7,241,596	$6,657,988	$12,617,174	$11,543,434
Cash Inflows after CUDGC Maximum inflow cap		**$4,531,590**		**$4,347,546**
Total Net Cash Outflows		**$1,510,530**		**$1,449,182**
Liquidity Coverage Ratio		508.56%		511.06%

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations.

A standard risk identified is that of losses incurred on the organization's credit portfolio. That risk is considered to be modest, which is as good as can be attained, given that lending is fundamentally risky. A second risk identified would be the risk of losses incurred in credit purchased from other originators. Turtleford Credit Union, having seen insufficient local demand for credit to keep up with deposits, is active in purchasing loans and leases, and while due diligence is applied, those borrowers simply are not as well known as our own members. Accordingly, this risk is deemed to be moderate.

Delinquency is within acceptable parameters at present. Due to strong policies and procedures in place, along with analysis practices, the Credit Union remains focused on carefully managing this area. Delinquency standards for loan delinquency over 90 days are a maximum of 3.00% of Assets; Turtleford Credit Union ended the year at 0.82%. Policies and procedures are in place to ensure due diligence is maintained in assessing the credit portfolio, including but not limited to having strategies to limit the potential impact of an economic downturn on mortgage loans and HELOCs. All audit reports, Internal and External, have shown that good lending controls are in place.

As per guidelines set out by CUDGC, Turtleford Credit Union is required to provide additional credit disclosures as regards the residential mortgage portfolio. Turtleford has a ceiling when providing residential mortgages of a maximum of 80% of the collateral value. While lending beyond that loan-to-value (LTV) may be considered, it then requires the use of default insurance, which is a contractual coverage that protects Turtleford's residential portfolio against potential losses as caused by borrower default. Turtleford Credit Union utilizes the Canada Mortgage Housing Corporation (CMHC) to provide this coverage as required.

Turtleford's residential mortgage portfolio may be viewed in the following manner:

	Conventional (uninsured)		CMHC (insured)		HELOC		
Amortization Periods	Dollars	Percent	Dollars	Percent	Dollars	Percent	Total
0 - 60 mths	1,315,079.65	5.71%	14,054.12	0.06%	0.00	0.00	1,329,133.77
60.1 - 120 mths	829,251.69	3.60%	310,434.67	1.35%	0.00	0.00	1,139,686.36
120.1 - 180 mths	3,656,010.23	15.86%	468,132.23	2.03%	0.00	0.00	4,124,142.46
180.1 - 240 mths	6,032,591.32	26.18%	990,624.70	4.30%	0.00	0.00	7,023,216.02
240 mths+	7,599,922.53	32.98%	1,828,961.63	7.94%	0.00	0.00	9,428,884.16
Total	19,432,855.42	84.33%	3,612,207.35	15.67%	0.00	0.00	23,045,062.77

Turtleford Credit Union completes regular reviews, sometimes called stress tests, to aid in identifying the impact of a significant decline in the housing market on the residential mortgage portfolio. There are two main components considered in evaluating such consequences in regards to an economic downturn: the potential increase in member defaults, and the potential decrease in the value of the collateral. Turtleford Credit Union, to date, has not pursued HELOCs as a driver of growth, which while it can be considered a lost opportunity to some degree, is beneficial in that our exposure is more limited then to term mortgages. As we would require a minimum of 20% down, or alternatively hold default insurance, in those cases, the residential mortgage portfolio accordingly does have a certain level of protection.

Legal and Regulatory Risk

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards.
Failure to comply with the Credit Union Act and regulations, Standards of Sound Business Practice, and other applicable Federal and Provincial laws, as well as the maintenance of sound governance practices, are identified as risks. Keeping pace with growing compliance requirements, and maintaining timely adoption of, among other things, new international accounting standards, is noted to be a challenge/risk.
No specific legal and regulatory risk was noted in our annual review. The Credit Union has established internal and external audit processes, in addition to which regular Deposit Guarantee examinations must be maintained. The annual completion of a strategic and business plan, as well as ongoing monitoring and reporting, assist to ensure we remain current with all obligations. Ongoing training and education of employees and directors also assists in the mitigation of risks in this area. Finally, we would acknowledge that an organization our size cannot be an expert in everything; certain expertise must be drawn on from outside the office. An example is compliance oversight, which has been outsourced to SaskCentral, in order to draw on their expertise and best practices.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.
Three key risks were identified in this area. The first is the risk of not optimizing wealth services to members, as we must contract that service at a cost. The second is the risk our people may not have the competencies required, and/or that the cost of training may become prohibitive. The third is the risk to reliance on certain outsourcing partners, which could impact both profitability and the member experience. These risks were all considered to be modest, at the present time, due to mitigating strategies in place.
The credit union has a good wealth management plan in place, and training for board and staff are maintained and completed annually, as mitigating factors to these risks. There is also a business continuity plan in place, which is reviewed with all staff and directors on an annual basis. And at present, our service partners continue to offer reasonable levels of service for the applicable cost.

Regulatory Matters

Turtleford Credit Union complies with the regulatory obligations identified under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Our compliance processes are designed for an organization of our size, and corresponding exposure to such activity. Every year, the Credit Union's compliance officer (with the assistance of an outsourced compliance audit) provides a report to the Board of Directors on at least an annual basis as to the Credit Union's compliance with this and other legislation.
Turtleford Credit Union is committed to prudent operations, and follows the Standards of Sound Business Practices as set out by the Credit Union Deposit Guarantee Corporation.

Corporate Structure and Governance

The governance of Turtleford Credit Union is anchored in the co-operative principle of democratic member control. The Credit Union maintains a professional approach in its operations, and accountability to our membership. Turtleford Credit Union strives to meet the highest standards in its conduct, consistently seeking to maintain or improve its professional, legal, and ethical reputation.

Code of Conduct Turtleford Credit Union's code of conduct provides guidance for employees and directors of the credit union with respect to acceptable business behavior, and the desired ethical culture required to maintain the trust of members and customers, and protect the credit union's reputation in the marketplace. All credit union employees and directors shall adhere to the principles of ethical conduct and responsible business behavior as reflected in the Code of Conduct.

Market Code Turtleford Credit Union's market code ensures sound market practices in relation to soliciting, providing, promoting, advertising, marketing, selling, or distributing of credit union products and services, to maintain member trust while adhering to the co-operative principles on which the credit union was founded.

Privacy Turtleford Credit Union protects the confidentiality of those who do business with the credit union to ensure the fair handling of personal information that is made available in the course of conducting business with the credit union.

Board of Directors

Mandate and Responsibilities

The board is responsible for the strategic oversight, business direction and supervision of management of Turtleford Credit Union. In acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

Key Roles

The Board of Directors creates and reviews the strategic direction of the Credit Union, the annual operating budget, and evaluates the performance of the General Manager based on goals as outlined therein. The Board is responsible for approving the organization's corporate vision, mission, and values, monitors corporate performance, oversees operations, and ensures compliance with all regulatory obligations. During the year 2022, the Board held 12 Regular Board meetings, as well as other various meetings as required.

Board Composition

The board is composed of 9 individuals elected at the annual general meeting. Terms are for 3 years, and tenure is limited to 4 consecutive terms. Nominations are made through a nominating committee; voting (if necessary) and election results are announced at the Turtleford Credit Union's annual general meeting.

Committees

The responsibilities of the board of a modern financial services organization involve an ever-growing list of duties. Turtleford Credit Union maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union.

- Executive Committee

  The Executive Committee acts in the capacity of, and on behalf of, the Board of Directors between regular or special board meetings, on all Board matters except those which the Board may not, in compliance with legislative requirements, delegate. The Executive Committee is comprised of the President, Vice-President, a director appointed by the Board, and an alternate to sit in the event of a perceived conflict.

- Audit Committee

  The Audit Committee oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of 3 directors. The board determines the skills and abilities needed on the committee and chooses its members accordingly.

- Policy Committee

  The Policy Committee annually reviews the existing policies of Turtleford Credit Union, for the purpose of recommending any changes, deletions and/or additions. This committee is comprised of the entire Board.

- Nominating Committee

  The Nominating Committee oversees the nomination and election processes for elections of credit union directors. The committee is comprised by those 3 directors whose term expires the year following the current year.

- Conduct Review Committee

  The Conduct Review Committee ensures that Turtleford Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. It is comprised of 3 directors, and an alternate to sit in the event of a perceived conflict.

- Facilities Committee
  The Facilities Committee oversees the credit union owned service and housing facilities, and is comprised of two Board members, one member of Management, and one other staff member.

- Workplace Violence & Harassment Committee
  The WVH Committee ensures that the work environment of the credit union meets the credit union's code of conduct and all applicable legislated requirements. It is comprised of one Director, one senior Manager, and one employee.

Compensation and Attendance
It is the general policy of the credit union that officers, directors, and committee members be reimbursed for their services on a per diem basis. The primary objective of the credit union is to serve the members. It is this commitment that guides the leadership of the credit union and any reimbursement is designed to offset expenses, not to directly provide a benefit.
In 2022, $29,334 was budgeted to cover per diems, travel, and development; the actual amount spent totaled $20,580 for the year. Your Board's commitment to the organization is to be commended.
Board members are encouraged to attend all regular meetings, policy requires no more than two consecutive absenteeisms; in the event of three or more, the Board member in question could be removed from the Board. Special circumstances may arise; it would then be up to the President in consultation with the rest of the Board to decide if the exception is warranted.

Director Training
Board members attended various virtual events/programs in 2022 as they became available.

Executive Management
The management team shall consist of the General Manager, Loans Manager, and Office Manager of the Turtleford Credit Union. The General Manager has accountability for the overall operations of the credit union, reporting directly to the Board of Directors, while the other two members have specified areas of responsibility, and report directly to the General Manager.

Corporate Social Responsibility (CSR)
Turtleford Credit Union is involved in sponsorships and donations to the local communities, with financial or in-kind contributions (i.e.: staff time, donations of equipment, etc) to local events or organizations. Preference is given to charitable, non-profit organizations and events. The credit union may consider sponsorships and donations in the following areas: community economic development, youth and education, visible minorities, health and human services, agriculture, arts and culture, professional or amateur sport, and cooperative development.
Turtleford Credit Union is committed to providing a work environment where all employees are treated with courtesy and respect. The credit union is further committed to the employee work environment with having policies in place to address harassment and workplace violence.

Capital Management

Background

The Standards of Sound Business Practice, as developed by Credit Union Deposit Guarantee Corporation, states that each credit union must have a plan to manage capital and profitability to ensure that they have the correct level needed to support operations, risk and growth.

In the simplest terms capital can be defined as the difference between assets (what is owned: cash, investments, loans, property) and liabilities (what is owed to others: deposits, borrowing, payables).

The goal for every credit union is to determine the right amount of capital to hold and build to support growth and weather financial storms. The objective is to be best positioned to hit the ground running when we come out on the other side during hard economic times and to support growth during strong economic times.

Too little capital means the credit union is unable to grow and generate good returns, but it risks failure because it has no cushion against occasional losses. Too much capital means there is an opportunity cost of tying up too much of the credit union member's resources in the credit union activities versus the member generating better returns with that capital in other places.

The benefits of capital are:

- To enable credit union to take on additional risk. *The less certain the initiative the more capital is needed.*
- To cushion the credit union against losses.
- Protection - to provide sufficient funds to pay out all members in case of failure.

Adequate capital also fosters member/client confidence in the credit union's condition and is used to determine lending limits that supports members' needs.

Turtleford Credit Union's capital plan goal is to be positioned to weather whatever changes lie ahead, be they growth or taking advantage of opportunities that may arise, or economic or fiscal volatility. The Goal of our Credit Union is to remain an autonomous credit union into the future.

There is a crucial link between strategic planning, enterprise risk management and active capital management.

Capital has to be raised in good times in order to be available in bad times.

Balance Sheet Management

There are four categories that must be considered. They are:

1. **Profitability** – Generating net returns. This is the "engine" of the organization.
2. **Liquidity** – Ensuring that the credit union has enough cash to meet its short-term obligations. This is the "gasoline".
3. **Efficiency** – Employing assets in the best way. This is the "tune-up".
4. **Stability or Capital** – Ensuring that the credit union has enough capital to meet its long-term obligations. This is the "safety" check.

Determining the Level of Capital

A tool that is used to determine the level of capital that is being held by a credit union is the Basel II "Risk Weighted Capital Adequacy Calculation".

There are two steps involved in this calculation. The first step is to determine the level of assets that are at risk. In this step assets are assigned a weighting factor based on the risk/quality of the asset. For example most loan types are assigned a weight factor of 100% meaning that the whole amount of the loan is risk-weighted.

The second step is to calculate the level of capital that a credit union is holding. Once again there are two steps involved. They are:

1. **Primary Capital (or Tier 1)** is calculated by taking the sum of member share capital, retained earnings, and qualifying investment shares less any applicable deductions, and is reported as a percentage of assets. (The minimum allowed is **8.5%** of assets as per CUDGC Standards)
2. **Eligible Capital** is calculated by adding Membership shares and the general allowance to the Primary Capital (as above). (The minimum allowed is **10.5%** of risk-weighted assets as per CUDGC Standards.)

Non-compliance

Failure to comply with regulatory standards for capital limits as set out by Credit Union Deposit Guarantee Corporation may result in, but is not limited to, the following:

- Reducing or restricting the credit union's authorities and limits,
- Imposing a higher deductible on any insured losses paid by the master bond fund;
- Subjecting the credit union to preventive intervention;
- Issuing a compliance order; or
- Placing the credit union under supervision or administration.

Our Current Situation

Our ability to maintain capital ratios during years of rapid growth, while experiencing some of the lowest lending interest lending rates in decades, has been identified as a "key risk" which faces the credit union. As assets rise, our capital as a percentage of assets declines. This plan will look at the steps being taken to retain our strong capital position.

The Capital Plan reflects a strong and stable financial environment for Turtleford Credit Union. The credit union exceeds the minimum level of capital based on regulatory minimums. The credit union also exceeds capital levels deemed prudent for the organization, based on their ICAAP targets. Changes in the assumptions used in the capital plan, however, could significantly change projected regulatory capital strength.

- Management and Board will continue to review Capital policies and procedures annually to ensure they are in line with Regulatory minimums and ICAAP analysis.
- Management and Board will review and revise this Capital Plan at least annually to ensure it aligns with business plans, financial projections, risk assessment, policies, and capital adequacy testing.
- Annually, management will prepare a five year financial projection that will include projections on capital levels. Projections will be tested to business plans.
- At least quarterly, reporting to the Board will continue to include capital levels in comparison to plan.

The chart below displays the capital position of the Turtleford Credit Union. It compares the minimum requirements as outlined by CUDGC, the higher targeted figures as set by the Board of Directors, and the credit union's year-end position. Turtleford Credit Union exceeds all minimum requirements, in addition the year-end capital position exceeded the Board targeted figures.

The minimum standards as listed by the Deposit Guarantee Corporation in the Standards for Sound Business Practice (SSBP) are as follows (including required conservation buffer):

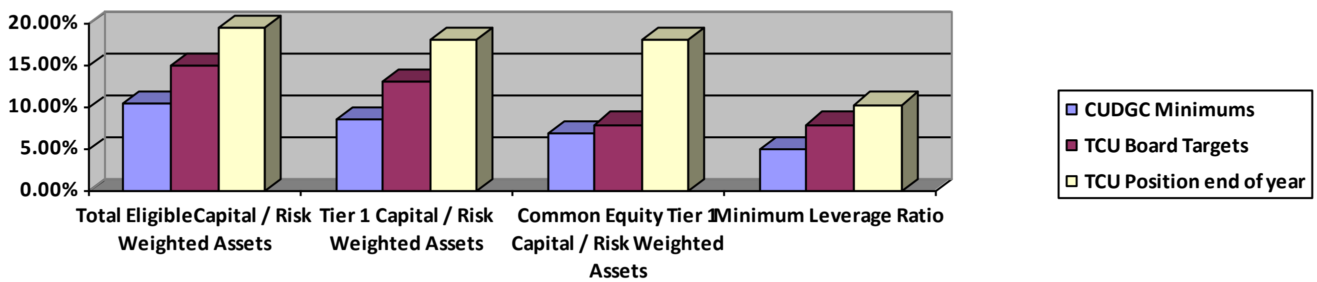
- Total eligible capital / risk-weighted assets = 10.50%
- Tier 1 capital / risk-weighted assets = 8.50%
- Common equity tier 1 capital / risk-weighted assets = 7.00%
- Minimum leverage ratio = 5.00%

CUDGC does expect that credit unions will not only meet these standards, but also maintain levels over and above that are appropriate to their individual organization and risk profile. The Board of TCU has developed its own targets, which are as follows:

- Total eligible capital / risk-weighted assets = 12.00% - 15.00%
- Tier 1 capital / risk-weighted assets = 12.00% - 15.00%
- Common equity tier 1 capital / risk-weighted assets = 8.00%
- Minimum leverage ratio = 7.00% - 9.00%

TCU's capital position at the end of the year was as follows:

- Total eligible capital / risk-weighted assets = 19.54%
- Tier 1 capital / risk-weighted assets = 18.12%
- Common equity tier 1 capital / risk-weighted assets = 18.12%
- Minimum leverage ratio = 10.35%



FORECASTING AND BUDGETING STATEMENTS

Concerning Turtleford Credit Union's future strategies, these statements involve a number of uncertainties relating to economic, legislative, and regulatory conditions at the time of writing. As such, actual results may differ from those forecast herein.

Turtleford Credit Union Limited
Financial Statements
December 31, 2022

Contents

For the year ended December 31, 2022

Management's Responsibility

To the Members of Turtleford Credit Union Limited:

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

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

The Board of Directors and Audit 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 Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

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

March 15, 2023

General Manager

Independent Auditor's Report

To the Members of Turtleford Credit Union Limited:

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Credit Union’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Saskatchewan

MNP LLP

March 15, 2023

Chartered Professional Accountants

Turtleford Credit Union Limited
Statement of Financial Position
As at December 31, 2022

	2022	*2021*
Assets		
Cash and cash equivalents *(Note 5)*	**12,164,011**	15,963,278
Investments *(Note 6)*	**28,683,639**	22,211,838
Member loans receivable *(Note 7)*	**63,031,247**	62,391,547
Other assets *(Note 8)*	**1,356,628**	155,108
Property, plant and equipment *(Note 9)*	**546,543**	606,525
	105,782,068	101,328,296
Liabilities		
Member deposits *(Note 11)*	**94,672,319**	92,344,981
Other liabilities *(Note 13)*	**300,879**	118,914
Membership shares *(Note 14)*	**514,960**	542,439
	95,488,158	93,006,334

Commitments *(Note 18), (Note 20)*

Members' equity		
Retained earnings	**10,293,910**	8,321,962
	105,782,068	101,328,296

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Turtleford Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2022

	2022	*2021*
Interest income		
Member loans	**2,777,714**	2,541,482
Investments	**1,953,117**	222,709
	4,730,831	2,764,191
Interest expense		
Member deposits	**645,667**	579,032
Borrowed money	**7,857**	2,501
	653,524	581,533
Gross financial margin	**4,077,307**	2,182,658
Other income	**573,937**	417,306
	4,651,244	2,599,964
Operating expenses		
Personnel	**1,083,358**	977,511
Security	**106,487**	96,080
Organizational	**36,192**	28,130
Occupancy	**122,468**	122,838
General business	**834,060**	775,118
	2,182,565	1,999,677
Income before provision for impaired loans, patronage refund and provision for (recovery of) income taxes	**2,468,679**	600,287
Provision for impaired loans *(Note 7)*	**214,330**	75,000
Patronage refund *(Note 15)*	**150,000**	-
Income before provision for (recovery of) income taxes	**2,104,349**	525,287
Provision for (recovery of) income taxes *(Note 12)*		
Current	**140,922**	50,325
Deferred	**(8,521)**	3,716
	132,401	54,041
Comprehensive income	**1,971,948**	471,246

The accompanying notes are an integral part of these financial statements

Turtleford Credit Union Limited
Statement of Changes in Members' Equity
For the year ended December 31, 2022

	Retained earnings	*Total equity*
Balance December 31, 2020	**7,850,716**	**7,850,716**
Comprehensive income	**471,246**	**471,246**
Balance December 31, 2021	**8,321,962**	**8,321,962**
Comprehensive income	**1,971,948**	**1,971,948**
Balance December 31, 2022	**10,293,910**	**10,293,910**

The accompanying notes are an integral part of these financial statements

Turtleford Credit Union Limited
Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	**2,672,025**	2,578,419
Interest received from investments	**595,431**	218,604
Other income	**573,937**	417,306
Cash paid to suppliers and employees	**(2,032,644)**	(1,876,551)
Interest paid on deposits	**(547,553)**	(652,931)
Interest paid on borrowed money	**(7,857)**	(2,501)
Patronage refund	**(150,000)**	-
Income taxes paid	**(16,183)**	(23,750)
	1,087,156	658,596
Financing activities		
Net change in member deposits	**2,229,225**	10,070,401
Net change in membership shares	**(27,479)**	(13,906)
	2,201,746	10,056,495
Investing activities		
Net change in investments	**(6,321,715)**	(6,154,211)
Net change in member loans receivable	**(748,341)**	(4,661,251)
Purchases of property, plant and equipment	**(18,113)**	(12,782)
	(7,088,169)	(10,828,244)
Decrease in cash and cash equivalents	**(3,799,267)**	(113,153)
Cash and cash equivalents, beginning of year	**15,963,278**	16,076,431
Cash and cash equivalents, end of year	**12,164,011**	15,963,278

1. Reporting entity

Turtleford Credit Union Limited (the "Credit Union") was formed pursuant to the *Credit Union Act 1998* of Saskatchewan ("the Act") and operates one Credit Union branch.

The Credit Union serves members and non-members in Turtleford, Saskatchewan and the surrounding community. The address of the Credit Union's registered office is 208 Main Street, Turtleford, Saskatchewan.

The Credit Union operates as one segment principally in personal and commercial banking in Saskatchewan.

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

Statement of compliance

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

The financial statements were approved by the Board of Directors and authorized for issue on March 15, 2023.

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, 2022. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IFRS 16 *Leases*
- IAS 16 *Property, Plant and Equipment*
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

3. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. 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 revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Macroeconomic environment

The Credit Union continues to operate in an uncertain macroeconomic environment. There is inherent uncertainty in estimating the impacts that rising interest rates, inflation and supply chain disruptions, in part caused by some countries attempts to combat the spread of COVID-19, will have on the macroeconomic environment. As a result, a heightened level of judgment in estimating expected credit losses ("ECL's") continues to be required.

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 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 retail 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, 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 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.

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its SaskCentral and Concentra Bank (a subsidiary of Equitable Bank) shares approximates its cost based on the terms that the equity investments can not be transferred, the shares can not be sold and new shares are issued at par value of all currently held shares.

Impairment of non-financial assets

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

Income taxes

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

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax return has not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material. Further details are in Note 12.

Useful lives of property, plant and equipment

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

4. Summary of significant accounting policies

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

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

Foreign currency translation

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

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

Revenue recognition

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

Service charge fees, 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 member and payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 are 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.

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

Debt instruments are classified as follows:

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

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

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.

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

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, 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 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.

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.

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

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.

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.

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.

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

Interest

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

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

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

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

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

Offsetting

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

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

Collateral

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

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

Cash and cash equivalents

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

Investments

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

SaskCentral and Concentra Bank deposits and shares

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

Portfolio investments

Investments in other equity instruments are measured at fair value, with adjustments recognized in profit or loss.

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

Impairment of non-financial assets

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

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

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

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

Syndication

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

Foreclosed assets

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

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.

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

	Rate
Buildings	5 - 25 years
Furniture and equipment	3 -10 years

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

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

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

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.

Income taxes

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

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

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

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

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.

Employee benefits

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

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $49,946 (2021 – $40,606) were paid to the defined contribution retirement plan during the year.

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*.

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2022 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021, help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies and providing guidance to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are required to be applied prospectively. The Credit Union does not expect these amendments to have a material impact on its financial statements.

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

Standards issued but not yet effective *(Continued from previous page)*

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in February 2021, introduce a new definition of “accounting estimates” to replace the definition of “change in accounting estimates” and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Credit Union does not expect these amendments to have a material impact on its financial statements.

5. Cash and cash equivalents

	2022	*2021*
Cash	**1,254,618**	1,955,408
Cash equivalents	**10,909,393**	14,007,870
	12,164,011	15,963,278

6. Investments

	2022	*2021*
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	**27,359,338**	21,055,199
Measured at fair value through profit or loss		
SaskCentral and Concentra Bank shares	**898,467**	1,060,000
Other equity instruments	**237,516**	58,407
	28,495,321	22,173,606
Accrued interest	**188,318**	38,232
	28,683,639	22,211,838

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

	2022	*2021*
Investment portfolio rating		
A	**-**	250,000
BBB	**21,750,000**	-
R1	**6,507,805**	810,000
Unrated	**237,516**	58,407
	28,495,321	1,118,407

In comparative year, liquidity reserves and balances on deposit with SaskCentral and Concentra Bank were excluded.

Statutory liquidity

Pursuant to Regulations, SaskCentral requires that the Credit Union maintain 10% of its total liabilities in specified liquidity deposits. The provincial regulator for Credit Unions, Credit Union Deposit Guarantee Corporation ("CUDGC"), requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2022 the Credit Union met the requirement.

6. Investments *(Continued from previous page)*

Liquidity coverage ratio

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

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

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

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

As at December 31, 2022, the Credit Union is in compliance with regulatory requirements.

7. Member loans receivable

Principal and allowance by loan type:

					2022
	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Agriculture loans	29,538,496	-	-	123,278	**29,415,218**
Commercial loans	7,339,215	554,779	185,891	87,634	**7,620,469**
Consumer loans	2,052,917	-	-	18,320	**2,034,597**
Lines of credit	1,473,671	-	-	22,959	**1,450,712**
Mortgages	21,930,031	351,465	188,823	39,123	**22,053,550**
	62,334,330	906,244	374,714	291,314	**62,574,546**
Accrued interest	456,701	35,286	35,286	-	**456,701**
	62,791,031	941,530	410,000	291,314	**63,031,247**

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

2021

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans	28,738,650	-	-	112,086	28,626,564
Commercial loans	10,159,122	335,658	1,538	152,244	10,340,998
Consumer loans	2,020,444	-	-	8,068	2,012,376
Lines of credit	1,922,811	-	-	24,143	1,898,668
Mortgages	19,008,516	335,049	149,004	27,459	19,167,102
	61,849,543	670,707	150,542	324,000	62,045,708
Accrued interest	345,839	40,458	40,458	-	345,839
	62,195,382	711,165	191,000	324,000	62,391,547

The allowance for loan impairment changed as follows:

	2022	*2021*
Balance, beginning of year	**515,000**	440,000
Provision for impaired loans	**214,330**	75,000
	729,330	515,000
Less: accounts written off, net of recoveries	**28,016**	-
Balance, end of year	**701,314**	515,000

8. Other assets

	2022	*2021*
Accounts receivable	**1,249,192**	4,701
Corporate income tax recoverable	**-**	34,024
Prepaid expenses and deposits	**24,391**	41,859
Deferred tax asset (Note 12)	**83,045**	74,524
	1,356,628	155,108

9. Property, plant and equipment

	Land	*Buildings*	*Furniture and equipment*	*Total*
Cost				
Balance at December 31, 2020	44,553	1,442,607	513,757	2,000,917
Additions	-	-	12,782	12,782
Balance at December 31, 2021	44,553	1,442,607	526,539	2,013,699
Additions	**-**	**-**	**18,113**	**18,113**
Balance at December 31, 2022	**44,553**	**1,442,607**	**544,652**	**2,031,812**
Accumulated depreciation				
Balance at December 31, 2020	-	864,009	474,274	1,338,283
Depreciation	-	53,169	15,722	68,891
Balance at December 31, 2021	-	917,178	489,996	1,407,174
Depreciation	**-**	**53,168**	**24,927**	**78,095**
Balance at December 31, 2022	**-**	**970,346**	**514,923**	**1,485,269**
Net book value				
At December 31, 2021	44,553	525,429	36,543	606,525
At December 31, 2022	**44,553**	**472,261**	**29,729**	**546,543**

10. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at prime minus 0.5% (5.95% at December 31, 2022), in the amount of $2,000,000 (2021 - $1,500,000) from SaskCentral. As at December 31, 2022, $214,994 was advanced (2021 - $nil).

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

11. Member deposits

	2022	*2021*
Chequing, savings, plan 24	**62,810,436**	64,324,880
Registered savings plans	**8,458,340**	8,140,568
Term deposits	**23,115,403**	19,689,506
Accrued interest	**288,140**	190,027
	94,672,319	92,344,981

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

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are payable on demand and bear interest at rates up to 3.50% (2021 - 0.75%).
- Registered savings plans are subject to fixed and variable rates of interest up to 5.03% (2021 - 3.10%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 5.10% (2021 - 3.60%), with interest payments due monthly, annually or on maturity.

12. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 9% on income under the small business limit and 15% on income greater than the small business limit (2021 - 9% and 15%) and the provincial tax rate of 0% on income under the small business limit and 12% on income over the small business limit (2021 - 0% and 12%).

In December 2020, the provincial government announced changes to the small business tax rate. Effective October 1, 2020, the provincial small business income tax rate was temporarily decreased from 2% to 0% until July 1, 2023. This rate will increase by 1% increments on July 1, 2023 and July 1, 2024.

Deferred tax expense (recovery) recognized in comprehensive income

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

	2022	*2021*
Deferred tax asset		
Property, plant and equipment	**35,657**	30,058
Allowance for impaired loans	**47,388**	44,466
	83,045	74,524
Deferred tax asset is reflected in the statement of financial position as follows:		
Deferred tax asset	**83,045**	74,524

Reconciliation between average effective tax rate and the applicable tax rate

	2022	*2021*
Applicable tax rate	**27.00 %**	27.00 %
Small business deduction	**(18.00)%**	(18.00)%
Income not eligible for deduction	**2.85 %**	0.41 %
Non-taxable portion of dividends	**(5.16)%**	- %
Non-deductible (taxable) and other items	**(0.40)%**	0.88 %
Average effective tax rate (tax expense divided by profit before tax)	**6.29 %**	10.29 %

13. Other liabilities

	2022	2021
Accounts payable	**210,164**	118,914
Corporate income tax payable	**90,715**	-
	300,879	118,914

14. Membership shares

Authorized:

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

Issued:

	2022	2021
2,058 Common shares (2021 - 2,067)	**10,290**	10,335
504,670 Surplus shares (2021 - 532,104)	**504,670**	532,104
	514,960	542,439

All common and surplus 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.

Surplus shares are established as a means of returning excess earnings to the members and at the same time increasing the Credit Union's equity base. The Articles of Incorporation for the Credit Union disclose the conditions concerning surplus shares.

During the year, the Credit Union issued 108 (2021 - 84) and redeemed 117 (2021 - 129) common shares, and also issued nil (2021 - nil) and redeemed 27,434 (2021 - 13,681) surplus shares.

15. Patronage

The Credit Union declared a patronage refund payable in the amount of $150,000 on December 21, 2022 (2021 - $nil), to be paid by cash to the members based on lending and deposit business, for the year ended December 31, 2022.

The patronage refund of $150,000 (2021 - $nil) has been reflected in the statement of comprehensive income with related tax savings of approximately $40,500 (2021 - $nil) being reflected in the current year's provision for income taxes.

16. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the General Manager and members of the Board of Directors. KMP remuneration includes the following expenses:

	2022	2021
Salaries and short-term benefits	**174,967**	165,014
Other long-term benefits	**12,578**	12,047
	187,545	177,061

Transactions with key management personnel

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

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

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

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

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

	2022	2021
Aggregate loans to KMP	**7,154,012**	5,875,356
Aggregate revolving credit facilities to KMP	**1,142,000**	1,092,000
Less: approved and undrawn lines of credit	**(773,470)**	(831,343)
	7,522,542	6,136,013

	2022	2021
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Mortgages	**1,115,831**	1,245,000
Loans	**138,992**	559,305
	1,254,823	1,804,305

	2022	2021
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**324,417**	260,360
Interest paid on deposits to KMP	**5,654**	11,287

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

	2022	*2021*
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**1,636,918**	2,176,413
Term deposits	**30,008**	26,679
Registered plans	**12,126**	7,781
Total value of member deposits due to KMP	**1,679,052**	2,210,873

Directors' fees and expenses

	2022	*2021*
Directors' expenses	**3,026**	1,030
Meeting, training and conference costs	**4,230**	4,755

SaskCentral and Concentra Bank

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

Up until November 1, 2022, the Credit Union was related to Concentra Bank, which was owned in part by SaskCentral. Concentra Bank provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers.

Interest and dividends earned on investments during the year ended December 31, 2022 amounted to $1,948,772 (2021 - $222,297) of which $1,207,600 relates 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, 2022 amounted to $7,857 (2021 - $2,501).

Payments made for affiliation dues for the year ended December 31, 2022 amounted to $7,605 (2021 - $6,198).

Celero Solutions

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

17. Capital management

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

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

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

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

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 standards for 2022:

	Regulatory standards	***Board standards***
Total eligible capital to risk-weighted assets	**10.50 %**	**12.00 %**
Total tier 1 capital to risk-weighted assets	**8.50 %**	**12.00 %**
Common equity tier 1 capital to risk-weighted assets	**7.00 %**	**10.00 %**
Leverage ratio	**5.00 %**	**7.00 %**

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

The following table summarizes key capital information:

	2022	*2021*
Eligible capital		
Common equity tier 1 capital	**10,293,910**	8,321,962
Additional tier 1 capital	**-**	-
Total tier 1 capital	**10,293,910**	8,321,962
Total tier 2 capital	**806,274**	866,439
Total eligible capital	**11,100,184**	9,188,401
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**19.54 %**	16.62 %
Total tier 1 capital to risk-weighted assets	**18.12 %**	15.05 %
Common equity tier 1 capital to risk-weighted assets	**18.12 %**	15.05 %
Leverage ratio	**10.37 %**	8.95 %

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 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.

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/or related parties
- Limits on concentration of credit risk by loan type, industry and economic sector
- Limits on the types of credit facilities and services offered
- Internal loan approval processes and loan documentation standards
- Loan re-negotiation, extension and renewal processes
- Processes that identify adverse situations and trends, including risks associated with economic, geographic and industry sectors
- Control and monitoring processes including portfolio risk identification and delinquency tolerances
- Timely loan analysis processes to identify, assess and manage delinquent and impaired loans
- Collection processes that include action plans for deteriorating loans
- Overdraft control and administration processes
- Loan syndication processes

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

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.

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

	2022	2021
Unadvanced lines of credit	**8,497,733**	7,525,380
Guarantees and standby letters of credit	**111,138**	54,638
Commitments to extend credit	**1,199,574**	1,242,478
	9,808,445	8,822,496

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.

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

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 ECL's, 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.

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, 2022. The macroeconomic factors that affect the Credit Union 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 lingering effects of COVID-19, including increasing 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 2022 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, 2021 and December 31, 2022 were adjusted to 50% base, 10% best and 40% worst case.

Management had to use judgment in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed to increase or decrease the allowance. At December 31, 2022, management booked an overlay of $42,336 (2021 - $13,487) to increase the allowance.

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.

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

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

	2022			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans and lines of credit				
Low risk	**2,386,432**	**-**	**-**	**2,386,432**
Total gross carrying amount	**2,386,432**	**-**	**-**	**2,386,432**
Less: loss allowance	**33,996**	**-**	**-**	**33,996**
Total carrying amount	**2,352,436**	**-**	**-**	**2,352,436**
Residential mortgages				
Low risk	**21,831,429**	**-**	**-**	**21,831,429**
Default	**-**	**-**	**475,372**	**475,372**
Total gross carrying amount	**21,831,429**	**-**	**475,372**	**22,306,801**
Less: loss allowance	**39,176**	**-**	**218,000**	**257,176**
Total carrying amount	**21,792,253**	**-**	**257,372**	**22,049,625**
Commercial loans and lines of credit				
Low risk	**7,669,810**	**-**	**-**	**7,669,810**
Default	**-**	**-**	**555,994**	**555,994**
Total gross carrying amount	**7,669,810**	**-**	**555,994**	**8,225,804**
Less: loss allowance	**91,596**	**-**	**192,000**	**283,596**
Total carrying amount	**7,578,214**	**-**	**363,994**	**7,942,208**
Agricultural loans and lines of credit				
Low risk	**30,321,537**	**-**	**-**	**30,321,537**
Total gross carrying amount	**30,321,537**	**-**	**-**	**30,321,537**
Less: loss allowance	**126,546**	**-**	**-**	**126,546**
Total carrying amount	**30,194,991**	**-**	**-**	**30,194,991**
Total				
Low risk	**62,209,208**	**-**	**-**	**62,209,208**
Default	**-**	**-**	**1,031,366**	**1,031,366**
Total gross carrying amount	**62,209,208**	**-**	**1,031,366**	**63,240,574**
Less: loss allowance	**291,314**	**-**	**410,000**	**701,314**
Total carrying amount	**61,917,894**	**-**	**621,366**	**62,539,260**

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

	2021			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans and lines of credit				
Low risk	1,951,396	-	-	1,951,396
Moderate risk	-	209,626	-	209,626
Total gross carrying amount	1,951,396	209,626	-	2,161,022
Less: loss allowance	21,166	-	-	21,166
Total carrying amount	1,930,230	209,626	-	2,139,856
Residential mortgages				
Low risk	18,911,806	-	-	18,911,806
Default	-	-	457,989	457,989
Total gross carrying amount	18,911,806	-	457,989	19,369,795
Less: loss allowance	27,505	-	161,000	188,505
Total carrying amount	18,884,301	-	296,989	19,181,290
Commercial loans and lines of credit				
Low risk	10,207,258	-	-	10,207,258
Moderate risk	-	665,724	-	665,724
Default	-	-	335,658	335,658
Total gross carrying amount	10,207,258	665,724	335,658	11,208,640
Less: loss allowance	99,949	59,230	30,000	189,179
Total carrying amount	10,107,309	606,494	305,658	11,019,461
Agriculture loans and lines of credit				
Low risk	29,780,793	-	-	29,780,793
Total gross carrying amount	29,780,793	-	-	29,780,793
Less: loss allowance	116,150	-	-	116,150
Total carrying amount	29,664,643	-	-	29,664,643
Total				
Low risk	60,851,253	-	-	60,851,253
Moderate risk	-	875,350	-	875,350
Default	-	-	793,647	793,647
Total gross carrying amount	60,851,253	875,350	793,647	62,520,250
Less: loss allowance	264,770	59,230	191,000	515,000
Total carrying amount	60,586,483	816,120	602,647	62,005,250

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 Turtleford, Saskatchewan and surrounding areas.

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

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans and lines of credit				
Balance at January 1, 2021	**32,058**	**546**	**-**	**32,604**
Net remeasurement of loss allowance	**(10,892)**	**(546)**	**-**	**(11,438)**
Balance at December 31, 2021	**21,166**	**-**	**-**	**21,166**
Net remeasurement of loss allowance	**12,830**	**-**	**-**	**12,830**
Balance at December 31, 2022	**33,996**	**-**	**-**	**33,996**
Residential mortgages				
Balance at January 1, 2021	**30,498**	**-**	**120,000**	**150,498**
Net remeasurement of loss allowance	**(2,993)**	**-**	**41,000**	**38,007**
Balance at December 31, 2021	**27,505**	**-**	**161,000**	**188,505**
Net remeasurement of loss allowance	**11,671**	**-**	**57,000**	**68,671**
Balance at December 31, 2022	**39,176**	**-**	**218,000**	**257,176**
Commercial loans and lines of credit				
Balance at January 1, 2021	**85,689**	**79,160**	**-**	**164,849**
Net remeasurement of loss allowance	**14,260**	**(19,930)**	**30,000**	**24,330**
Balance at December 31, 2021	**99,949**	**59,230**	**30,000**	**189,179**
Net remeasurement of loss allowance	**(8,353)**	**(59,230)**	**162,000**	**94,417**
Balance at December 31, 2022	**91,596**	**-**	**192,000**	**283,596**
Agricultural loans and lines of credit				
Balance at January 1, 2021	**92,049**	**-**	**-**	**92,049**
Net remeasurement of loss allowance	**24,101**	**-**	**-**	**24,101**
Balance at December 31, 2021	**116,150**	**-**	**-**	**116,150**
Net remeasurement of loss allowance	**10,396**	**-**	**-**	**10,396**
Balance at December 31, 2022	**126,546**	**-**	**-**	**126,546**
Total				
Balance at January 1, 2021	**240,294**	**79,706**	**120,000**	**440,000**
Net remeasurement of loss allowance	**24,476**	**(20,476)**	**71,000**	**75,000**
Balance at December 31, 2021	**264,770**	**59,230**	**191,000**	**515,000**
Net remeasurement of loss allowance	**26,544**	**(59,230)**	**219,000**	**186,314**
Balance at December 31, 2022	**291,314**	**-**	**410,000**	**701,314**

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

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.

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 increase net interest margin by $74,940 (2021 - $94,195) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by $74,940 (2021 - $94,195) over the next 12 months.

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

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

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

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

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

Interest rate sensitivity

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

Contractual repricing and maturity

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

(In thousands)

						2022	*2021*
	On demand	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Non-interest sensitive***	***Total***	*Total*
Assets							
Cash and cash equivalents	8,909	2,000	-	-	1,255	**12,164**	15,963
Average yield %	*4.31*	*3.62*	-	-	-	*3.75*	*0.27*
Investments	-	2,500	12,500	12,364	1,320	**28,684**	22,212
Average yield %	-	*3.62*	*3.57*	*2.93*	-	*3.13*	*0.86*
Member loans receivable	12,551	2,751	9,566	38,163	-	**63,031**	62,392
Average yield %	*7.46*	*4.16*	*4.62*	*4.39*	-	*5.02*	*4.08*
Accounts receivable	-	-	-	-	1,249	**1,249**	5
	21,460	**7,251**	**22,066**	**50,527**	**3,824**	**105,128**	100,572
Liabilities							
Member deposits	32,085	7,241	13,621	10,146	31,579	**94,672**	92,345
Average yield %	*0.42*	*1.32*	*2.78*	*2.91*	-	*0.96*	*0.57*
Accounts payable	-	-	-	-	210	**210**	119
Membership shares	-	-	-	-	515	**515**	542
	32,085	**7,241**	**13,621**	**10,146**	**32,304**	**95,397**	93,006
Net sensitivity	**(10,625)**	**10**	**8,445**	**40,381**	**(28,480)**	**9,731**	7,566

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

Liquidity risk

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

As at December 31, 2022, two (2021 - two) members holds approximately 16.04% (2021 - 15.75%) of the Credit Union's total deposits. The Credit Union believes that there is no unusual exposure associated with this deposit concentration. This risk is mitigated by the remainder of deposits being spread across many members.

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

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

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

The primary liquidity risk policies and procedures include the following:

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

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

The following table details contractual maturities of financial liabilities:

As at December 31, 2022:

(In thousands)

	< 1 year	**1-2 years**	**> 3 years**	**Total**
Member deposits	**84,526**	**6,279**	**3,867**	**94,672**
Accounts payable	**210**	**-**	**-**	**210**
Membership shares	**-**	**-**	**515**	**515**
Total	**84,736**	**6,279**	**4,382**	**95,397**

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

Liquidity risk *(Continued from previous page)*

As at December 31, 2021:

(In thousands)

	< 1 year	1-2 years	> 3 years	Total
Member deposits	82,405	2,835	7,105	92,345
Accounts payable	119	-	-	119
Membership shares	-	-	542	542
Total	82,524	2,835	7,647	93,006

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, 2022:

(In thousands)

	< 1 year	**1-2 years**	**> 3 years**	**Total**
Cash and cash equivalents	**12,164**	**-**	**-**	**12,164**
Investments	**16,320**	**9,964**	**2,400**	**28,684**
Member loans receivable	**24,868**	**8,624**	**29,539**	**63,031**
Accounts receivable	**1,249**	**-**	**-**	**1,249**
Total	**54,601**	**18,588**	**31,939**	**105,128**

As at December 31, 2021:

(In thousands)

	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	15,963	-	-	15,963
Investments	16,243	3,369	2,600	22,212
Member loans receivable	31,553	9,634	21,205	62,392
Accounts receivable	5	-	-	5
Total	63,764	13,003	23,805	100,572

19. Fair value measurements

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

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

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

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

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 statement of financial position on a recurring basis have been categorized into the fair value hierarchy as follows:

				2022
(In thousands)	***Fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets				
Cash	**1,255**	**1,255**	**-**	**-**
SaskCentral and Concentra Bank shares	**898**	**-**	**-**	**898**
Other equity instruments	**237**	**-**	**213**	**24**
Total financial assets	**2,390**	**1,255**	**213**	**922**

				2021
(In thousands)	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Cash	1,955	1,955	-	-
SaskCentral and Concentra Bank shares	1,060	-	-	1,060
Other equity instruments	58	-	54	4
Total financial assets	3,073	1,955	54	1,064

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 statement of financial position are as follows:

					2022
(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***Level 3***
Financial assets measured at amortized cost					
Cash equivalents	**10,909**	**10,909**	**10,909**	**-**	**-**
Investments	**27,548**	**27,237**	**-**	**27,237**	**-**
Member loans receivable	**63,031**	**61,150**	**-**	**61,150**	**-**
Accounts receivable	**1,249**	**1,249**	**-**	**1,249**	**-**
Total financial assets	**102,737**	**100,545**	**10,909**	**89,636**	**-**

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

(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***2022*** ***Level 3***
Financial liabilities measured at amortized cost					
Member deposits	**94,672**	**94,575**	**-**	**94,575**	**-**
Accounts payable	**210**	**210**	**-**	**210**	**-**
Membership shares	**515**	**515**	**-**	**-**	**515**
Total financial liabilities	**95,397**	**95,300**	**-**	**94,785**	**515**

(In thousands)	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*2021* *Level 3*
Financial assets measured at amortized cost					
Cash equivalents	14,008	14,008	14,008	-	-
Investments	21,094	21,112	-	21,112	-
Member loans receivable	62,392	62,400	-	62,400	-
Accounts receivable	5	5	-	5	-
Total financial assets	97,499	97,525	14,008	83,517	-
Financial liabilities measured at amortized cost					
Member deposits	92,345	92,792	-	92,792	-
Accounts payable	119	119	-	119	-
Membership shares	542	542	-	-	542
Total financial liabilities	93,006	93,453	-	92,911	542

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

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, 2022 were $71,477 (2021 - $76,026) and recorded as an expense. The annual estimated fee for the year ended December 31, 2023 is $77,624 (2022 - $71,477).

In 2021, the Credit Union entered into an agreement to purchase units in the MDL Real Estate Income Fund. The Credit Union makes advances to the Fund when requested which decreases the remaining commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2022 the Credit Union has advanced $100,233 (2021 - $54,211) of their total commitment of $200,000 (2021 - $200,000) to the MDL Real Estate Income Fund.

20. Commitments *(Continued from previous page)*

In 2022, the Credit Union entered into an agreement to purchase units in the Westcap MBO III Investment Fund. The Credit Union makes advances to the Fund when requested which decreases the remaining commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2022, the Credit Union has advanced $113,000 of their total commitment of $500,000 to the Westcap MBO III Fund.

In 2022, the Credit Union entered into a five year commitment for the provision of their financial and banking performance application and regulatory reporting. The total commitment for the five year period from April 1, 2023 to March 31, 2028 is $140,000.

In 2022, the Credit Union entered into a three year commitment for software subscription services. The total commitment for the three year period from February 1, 2023 to January 31, 2026 is $34,800.

21. Other legal and regulatory risk

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

22. Canada Emergency Business Account Program

Under the Canada Emergency Business Account ("CEBA") Program, with funding provided by the Government of Canada and Export Development Canada ("EDC") as the Government of Canada’s agent, the Credit Union provides loans to its business banking members. In June 2020, eligibility for the CEBA loan program was expanded to include businesses that did not meet the payroll requirements of the initial program but had other eligible non-deferrable expenses. Under the CEBA Program, eligible businesses receive a $60,000 interest-free loan until December 31, 2023. If $40,000 is repaid on or before December 31, 2023, the remaining amount of the loan is eligible for complete forgiveness. If the loan is not repaid by December 31, 2023, it will be extended for an additional 2-year term bearing an interest rate of 5% per annum.

The funding provided to the Credit Union by the Government of Canada in respect of the CEBA Program represents an obligation to pass-through collections on the CEBA loans and is otherwise non-recourse to the Credit Union. Accordingly, the Credit Union is required to remit all collections of principal and interest on the CEBA loans to the Government of Canada but is not required to repay amounts that its members fail to pay or that have been forgiven. The Credit Union receives an administration fee to recover the costs to administer the program for the Government of Canada.

Loans issued under the program are not recognized on the Credit Union's statement of financial position, as the Credit Union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. As of December 31, 2022, the Credit Union had provided approximately 72 (2021 - 72) members with CEBA loans and had funded approximately $3,960,000 (2021 - $3,960,000) in loans under the program. The balance remaining as at December 31, 2022 is $2,941,000.

Quick Facts

(as of December 31, 2022, unless otherwise indicated)

- As of January 1, 2023, there are 33 credit unions in Saskatchewan serving 197 communities through 224 service outlets.
- Credit unions offer financial products and services to more than 497,000 members.
- Saskatchewan credit union assets reached $28.6 billion with revenue of more than $1.43 billion.
- Credit union lending amounts were more than $21 billion.
- There are 317 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from $40.85 million to more than $7.2 billion.
- In 2022, Saskatchewan credit unions returned over $18.86 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,400 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention. Read more about the **guarantee**.

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TURTLEFORD CREDIT UNION LIMITED

Historical Information

Year	Assets($)	Membership	Capital($)
1972	552,219	466	7,310
1973	846,087	596	8,945
1974	1,291,243	700	128,902
1975	1,752,192	752	140,668
1976	1,781,650	846	140,760
1977	1,985,939	934	174,397
1978	2,253,517	968	198,678
1979	2,868,026	992	217,920
1980	3,185,445	1,010	243,342
1981	3,737,500	1,026	234,578
1982	4,325,760	1,089	255,709
1983	4,928,315	1,160	299,090
1984	5,933,278	1,122	362,186
1985	7,337,479	1,134	249,965
1986	7,337,479	1,173	237,337
1987	8,185,327	1,280	258,384
1988	9,265,453	1,304	340,594
1989	10,377,480	1,448	449,702
1990	12,990,718	1,563	637,990
1991	14,159,757	1,660	791,794
1992	14,280,720	1,706	865,469
1993	15,321,829	1,794	1,006,760
1994	16,266,304	1,847	1,149,308
1995	18,073,183	1,884	1,342,411
1996	19,789,993	1,900	1,555,260
1997	19,455,864	1,992	1,762,629
1998	20,535,954	1,963	1,957,483
1999	21,628,441	1,897	2,137,077
2000	22,535,310	2,246	2,379,135
2001	25,531,000	1,956	2,587,664
2002	26,215,672	1,995	2,692,504
2003	30,418,527	2,027	2,817,982
2004	30,653,227	1,956	2,755,295
2005	31,049,521	2,013	2,871,941
2006	33,313,878	2,176	3,079,713
2007	36,310,240	2,065	3,276,792
2008	38,942,572	2,149	3,496,834
2009	43,369,618	1,887	3,436,575
2010	46,392,618	1,862	3,537,226
2011	50,478,423	1875	3,770,159
2012	58,570,862	1887	4,129,857
2013	65,981,385	1896	4,605,906
2014	73,838,783	1931	5,232,342
2015	75,975,242	1934	5,749,032
2016	75,345,998	1937	6,447,955
2017	83,558,812	1973	6,879,408
2018	85,610,937	2050	7,328,687
2019	86,510,761	2099	7,886,955
2020	90,804,046	2112	8,407,061
2021	101,328,296	2067	8,864,401
2022	105,782,068	2061	10,808,870

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

ANNUAL REPORT MESSAGE 2022

January 2023

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

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

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