December 31, 2022

Diamond North Credit Union Contents

For the year ended December 31, 2022

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Management's Responsibility

To the Board of Diamond North Credit Union:

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

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

The Board of Directors and Audit 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.

While typically appointed by the members, in the current year MNP LLP was appointed by the Board due to the resignation of the predecessor auditor, to audit the consolidated financial statements and report directly to the members; 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.

February 27, 2023

Chief Executive Officer



To the Members of Diamond North Credit Union:

Opinion

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

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

Basis for Opinion

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

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements dated February 28, 2022.

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

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

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

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



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Saskatoon, Saskatchewan

February 27, 2023

MNP LLP
Chartered Professional Accountants



Diamond North Credit Union Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
	(in thousands)	(in thousands)
	()	(
Assets		
Cash and cash equivalents (Note 5)	25,499	46,892
Investments (Note 6)	104,933	120,363
Member loans receivable (Note 7)	489,011	450,677
Other assets (Note 8)	8,570	1,085
Property, plant and equipment (Note 9)	9,764	10,216
	637,777	629,233
Liabilities		
Member deposits (Note 11)	566,517	570,007
Other liabilities (Note 13)	4,873	4,825
Membership shares (Note 14)	59	60
	571,449	574,892
Commitments (Note 17), (Note 19)		
Members' equity		
Retained earnings	61,887	49,900
Contributed surplus	4,441	4,441
	66,328	54,341
	637,777	629,233

Lesex Swack

Approved on behalf of the Board

Director

Director

Diamond North Credit Union Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	Tor the year ended be	
	2022 (in thousands)	2021 (in thousands)
Interest income		
Member loans	18,294	16,653
Investments	10,103	1,710
	28,397	18,363
Interest expense		
Member deposits	5,351	3,971
Borrowed money	16	2
	5,367	3,973
Gross financial margin	23,030	14,390
Other income	4,257	4,124
	27,287	18,514
Operating expenses		
Personnel	7,931	7,814
Security	523	496
Organizational	141	185
Occupancy	1,048	1,016
General business	4,131	3,590
	13,774	13,101
Income before provision for (recovery of) impaired loans and provision for		
income taxes	13,513	5,413
Provision for (recovery of) impaired loans (Note 7)	(32)	310
Income before provision for income taxes	13,545	5,103
Provision for income taxes (Note 12)		
Current	1,548	1,203
Deferred	10	230
	1,558	1,433
Comprehensive income	11,987	3,670

Diamond North Credit Union Consolidated Statement of Changes in Members' Equity For the year ended December 31, 2022

	Contributed surplus	Retained earnings	Total equity (In thousands)
Balance December 31, 2020	4,441	46,230	50,671
Comprehensive income	<u>-</u>	3,670	3,670
Balance December 31, 2021	4,441	49,900	54,341
Comprehensive income	<u> </u>	11,987	11,987
Balance December 31, 2022	4,441	61,887	66,328

Diamond North Credit Union Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	,	, ,
	2022 (in thousands)	2021 (in thousands)
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	18,048	16,863
Interest received from investments	2,343	1,736
Other income	4,257	4,124
Cash paid to suppliers and employees	(12,947)	(11,815)
Interest paid on deposits	(4,705)	(4,496)
Net change in member loans receivable	(38,056)	(21,290)
Net change in member deposits	(4,136)	24,756
Interest paid on borrowed money	(16)	(2)
Income taxes paid	(1,387)	(1,856)
	(36,599)	8,020
Financing activities	40	
Net change in membership shares	(1)	-
Investing activities		
Net change in investments	15,504	(4,670)
Purchases of property, plant and equipment	(297)	(523)
Proceeds from disposal of property, plant and equipment	`- `	113
	15,207	(5,080)
Increase (decrease) in cash and cash equivalents	(21,393)	2.940
Cash and cash equivalents, beginning of year	46,892	43,952

For the year ended December 31, 2022

1. Reporting entity

Diamond North Credit Union (the "Credit Union") was formed pursuant to the *Credit Union Act 1998* of Saskatchewan ("the Act") and operates eight Credit Union service locations.

The Credit Union serves members and non-members in Arborfield, Big River, Carrot River, Choiceland, Debden, Nipawin, Prince Albert, White Fox, and the surrounding communities. The address of the Credit Union's registered office is 100, 1st Avenue West, Nipawin, Saskatchewan.

The consolidated financial statements of the Credit Union as at and for the year ended December 31, 2022 comprise the Credit Union and its wholly owned subsidiary Diamond North Management Ltd. Together, these entities are referred to as the Credit Union.

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

The Credit Union conducts its principal operations through various service locations, 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 real estate and insurance, investment, risk management, asset liability management, treasury operations and revenue and expenses not expressly attributed to the business units.

Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 27, 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 consolidated financial statements.

- IFRS 3 Business combinations
- 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 consolidated financial statements have been prepared using the historical cost basis except for the revaluation of certain financial instruments.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Credit Union's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

For the year ended December 31, 2022

3. Basis of preparation (Continued from previous page)

Significant accounting judgments, estimates and assumptions

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

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

Macroeconomic environment

The Credit Union continues to operate in an uncertain macroeconomic environment due to previous actions taken by various governments due to COVID-19, as well as the war in Ukraine. There is inherent uncertainty in estimating the impacts such as rising interest rates, inflation and supply chain disruptions, 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 consolidated financial statements from changes in such estimates in future years could be significant.

Classification of financial assets

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

Key assumptions in determining the allowance for expected credit losses

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

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

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

For the year ended December 31, 2022

3. Basis of preparation (Continued from previous page)

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

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 value of its unquoted equity instruments, SaskCentral shares 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.

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 returns have 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 consolidated financial statements from changes in such estimates in future years could be material. Further details are in Note 12.

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.

For the year ended December 31, 2022

3. Basis of preparation (Continued from previous page)

Useful lives of property, plant and equipment

Estimates must be utilized in evaluating the useful lives of all property, plant, 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 consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

Basis of consolidation

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

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

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

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

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

Foreign currency translation

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

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 financial 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.

For the year ended December 31, 2022

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

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

The Credit Union applies the practical expedient, whereby the Credit Union does not adjust the promised amount of consideration for the effects of a significant financing component if the Credit Union expects, at contract inception, that the period between when the Credit Union transfers a promised good or service to a member and when the member pays for that good or service will be one year or less.

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

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

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 and cash
 equivalents, SaskCentral deposits, member loans receivable and accrued interest thereon, and accounts
 receivable balances.
- 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. The Credit
 Union does not hold any financial assets mandatorily measured at fair value through profit or loss.
- 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.

For the year ended December 31, 2022

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

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 investments and SaskCentral 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.

Impairment

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

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

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

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

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

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

For the year ended December 31, 2022

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

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

Refer to Note 17 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

Derecognition of financial assets

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

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

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

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

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

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

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

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

Modification of financial assets

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

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

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

Financial liabilities

Recognition and initial measurement

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

For the year ended December 31, 2022

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

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Dividend income

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

Interest

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

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

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

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

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

Offsetting

Financial assets and financial liabilities are offset, with the net amount presented in the consolidated 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.

For the year ended December 31, 2022

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

Investments

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

SaskCentral

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

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible 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 consolidated statement of financial position. All loans syndicated by the Credit Union are on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets.

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 as outlined in Note 7.

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.

For the year ended December 31, 2022

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

Property, plant and equipment (Continued from previous page)

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

Rate

Buildings	10 - 40 years
Vehicles	4 - 7 years
Furniture and equipment	5 years
Capital improvements	2 - 10 years

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

Gains or losses on the disposal of property, plant and equipment will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised 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 allow 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 pension plan.

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of \$375 (2021 – \$376) 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.

For the year ended December 31, 2022

Cash and cash equivalents		
	2022	2021
Cash	12,679	20,987
Cash equivalents	12,820	25,905
	25,499	46,892
Investments		
	2022	2021
Measured at fair value through profit or loss	4.000	5.055
SaskCentral shares Other equity investments	4,028 1,372	5,255 699
Management at a secretical and	5,400	5,954
Measured at amortized cost SaskCentral and Concentra Bank deposits	99,150	114,100
Accrued interest	383	309
Total	104,933	120,363
The table below shows the credit risk exposure on investments. Ratings are	·	·
("DBRS") unless otherwise indicated.	0000	0.00
	2022	2021
Investment portfolio rating		
R1	55,678	5,255
BBB	47,500	-
		600
Unrated	1,372	699

In the comparative year, liquidity reserves and balances on deposit with SaskCentral and Concentra 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.

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.

For the year ended December 31, 2022

6. Investments (Continued from previous page)

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. Members' 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	158,364	-	_	17	158,347
Commercial loans	113,044	5,017	1,047	583	116,431
Consumer non-mortgage	32,853	162	42	252	32,721
Consumer mortgages	178,775	1,135	251	118	179,541
	483,036	6,314	1,340	970	487,040
Accrued interest	1,932	39	-	-	1,971
Total	484,968	6,353	1,340	970	489,011
					2021
				Allowance for	
	Principal	Principal	Allowance	expected	Net carrying
	performing	impaired	specific	credit losses	value
Agriculture loans	120,276	_	_	10	120,266
Commercial loans	114,196	5,828	1,607	588	117,829
Consumer non-mortgage	37,693	51	73	251	37,420
Consumer mortgages	172,834	1,030	204	223	173,437
	444,999	6,909	1,884	1,072	448,952
Accrued interest	1,684	41	-	-	1,725
Total	446,683	6,950	1,884	1,072	450,677
The allowance for loan impairment changed	as follows:				
				2022	2021
Balance, beginning of year				2,956	4,157
Provision for (recovery of) impaired loans				(32)	310
				2,924	4,467
Less: accounts written off, net of recoveries				614	1,511
Balance, end of year				2,310	2,956

For the year ended December 31, 2022

Other assets		
	2022	2021
Accounts receivable	7,753	37
Corporate income tax recoverable		146
Prepaid expenses and deposits	379	455
Deferred tax asset	438	447
	8,570	1,085

9. Property, plant and equipment

	Land	Buildings	Furniture and equipment	Capital Improve- ments	Vehicles	Total
	Lana	Dananigo	oquipmont	memo	Vermoice	7 Otar
Cost						
Balance December 31, 2020	517	13,066	1,840	1,653	118	17,194
Additions	-	-	171	352	-	523
Transfers	-	1,782	223	(2,005)	-	-
Disposals	(11)	(798)	(233)	-	-	(1,042)
Balance December 31, 2021	506	14,050	2,001	-	118	16,675
Additions	-	-	297	-	-	297
Disposals	-	-	(501)	-	-	(501)
Balance December 31, 2022	506	14,050	1,797	-	118	16,471
Accumulated depreciation						
Balance December 31, 2020	-	5,339	1,139	-	73	6,551
Depreciation	-	452	361	-	24	837
Disposals	-	(751)	(178)	-	-	(929)
Balance December 31, 2021	-	5,040	1,322	-	97	6,459
Depreciation	-	430	308	-	11	749
Disposals	-	-	(501)	-	-	(501)
Balance December 31, 2022	-	5,470	1,129	-	108	6,707
Net book value						
December 31, 2021	506	9,010	679	-	21	10,216
December 31, 2022	506	8,580	668	-	10	9,764

For the year ended December 31, 2022

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 \$12,500 (2021 - \$10,500) from SaskCentral. As at December 31, 2022, \$nil 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
Member deposits	347,670	361,054
Registered plans	107,642	106,816
Term deposits	108,670	100,248
Accrued interest	2,535	1,889
	566,517	570,007

Total deposits include \$3,864 (2021 - \$3,242) denominated in foreign currencies. Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are due on demand and bear interest at rates up to 6.45% (2021 1.20%).
- Registered savings plans are subject to fixed and variable rates of interest up to 5.25% (2021 3.35%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 5.25% (2021 3.79%), 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 15% (2021 - 15%) and the provincial tax rate of 12% (2021 - 12%). Subsidiary income is taxed at a combined rate of 27% (2021 - 27%).

Deferred income tax expense recognized in profit (loss)

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

	2022	2021
Deferred tax asset		
Property, plant and equipment	181	200
Future incentives	23	-
Prepaid software conversion costs	(2)	-
Losses available for offset against future earnings	13	-
Allowance for impaired loans	298	247
Venture capital	(75)	-
Net deferred tax asset	438	447
Net deferred tax asset is reflected in the consolidated statement of financial position as follows		
Deferred tax asset	438	447

For the year ended December 31, 2022

12. Income tax (Continued from pre	evious page)
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	2022	2021
Applicable tax rate	27.00 %	27.00 %
Non-taxable portion of SaskCentral dividends	(15.32)%	- %
Non-taxable and other items	(0.18)%	1.08 %
Average effective tax rate (tax expense divided by profit before tax)	11.50 %	28.08 %
Other liabilities		
	2022	2021
Accounts payable	4,858	4,825
	15	· -
Corporate income tax payable		

14. Member shares

Authorized:

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

Issued:

	2022	2021
11,825 Common shares (2021 - 11,924)	59	60

All common shares are classified as liabilities.

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

During the year, the Credit Union issued 2,815 (2021 - 1,427) and redeemed 2,914 (2021 - 1,454) common shares (number of issued and redeemed shares not reported in thousands).

15. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union consist of the Chief Executive Officer, Chief Transformation Officer, Chief Operating Officer, Chief Financial Officer and members of the Board of Directors. Prior year also included the Chief Projects Officer. KMP remuneration includes the following expenses:

	2022	2021
Salaries and short-term benefits	839	942

For the year ended December 31, 2022

15. Related party transactions (Continued from previous page)

Transactions with key management personnel

The Credit Union, in accordance with its policy, grants credit to its directors, management and staff at preferred rates as per established policies. Directors pay regular member rates on loans.

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

Directors, management and staff of the Credit Union hold deposit accounts. These accounts are maintained at preferred rates as per established policies, and are included in deposit accounts on the consolidated statement of financial position.

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

In the ordinary course of business, the Credit Union provided normal financial services to its wholly-owned subsidiary Diamond North Management Ltd. on terms similar to those offered to non-related parties.

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 Aggregate revolving credit facilities to KMP Less: approved and undrawn lines of credit	3,020 928 (642)	2,939 804 (459)
	3,306	3,284
	2022	2021
During the year the aggregate value of loans disbursed to KMP amounted to: Mortgages Loans	96 264	1,115 255
	360	1,370
Income and expense transactions with KMP consisted of:	2022	2021
Interest earned on loans to KMP Interest paid on deposits to KMP	89 63	60 54
	2022	2021
The total value of member deposits from KMP as at the year-end: Chequing and demand deposits Term deposits Registered plans	278 646 2,060	978 710 1,931
Total value of member deposits due to KMP	2,984	3,619

For the year ended December 31, 2022

15. Related party transactions (Continued from previous page)

Directors' fees and expenses

	2022	2021
Directors' fees and committee remuneration	65	71
Directors expenses	7	1
Meeting, training and conference costs	18	15

SaskCentral

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

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 \$10,026 (2021 - \$1,671), of which \$7,686 relates to the dividend paid by SaskCentral in relation to the sale of Concentra Bank shares.

Interest paid on borrowings during the year ended December 31, 2022 amounted to \$16 (2021 - \$2).

Payments made for affiliation dues for the year ended December 31, 2022 amounted to \$22 (2021 - \$59).

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.

16. 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.

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.

For the year ended December 31, 2022

16. Capital management (Continued from previous page)

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

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

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

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2022:

	Regulatory standards including buffer	Board standards
Total eligible capital to risk weighted assets Total tier 1 capital to risk-weighted assets Common equity tier 1 capital to risk-weighted assets Leverage ratio	10.50 % 8.50 % 7.00 % 5.00 %	11.50 % 9.50 % 8.00 % 6.00 %
During the year, the Credit Union complied with all internal and external capital re	equirements.	
The following table summarizes key capital information:		
Eligible capital	2022	2021
Eligible capital Total tier 1 capital Total tier 2 capital	66,022 1,029	54,107 1,131
Total eligible capital	67,051	55,238
Risk-weighted assets Total eligible capital to risk weighted assets Total tier 1 capital to risk-weighted assets Common equity tier 1 capital to risk-weighted assets Leverage ratio	15.72 % 15.48 % 15.48 % 10.27 %	14.30 % 14.00 % 14.00 % 8.42 %

17. 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.

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

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) requirement
 - 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

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

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

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 represent 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	71,715	61,825
Guarantees and standby letters of credit	210	234
Commitments to extend credit	11,360	6,355
Undrawn quick loans	19,311	20,610
	102,596	89,024

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.

For the year ended December 31, 2022

17. 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 (ECL's)

The Credit Union measures expected credit losses 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, Saskatchewan Housing Price Index, changes in real gross domestic product, and three-month Bank of Canada bond/Bankers' Acceptance rates. Each factor is forecasted 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 typical weighting used in the model are between 30-45% best, 50% base and between 5-20% worst case, as the base case is historically the most likely scenario. The December 31, 2022 modelling is based on these weightings.

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. Commercial sectors expected to be impacted most heavily, and expected to sustain higher long term risks, were analyzed and expected losses adjusted accordingly.

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 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.

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

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

	12-month ECL	2022 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Australiana Ianaa		. ,	• /	
Agriculture loans Low risk	157,542		_	157,542
Moderate risk	137,342	508		508
High risk	-	-	314	314
Total gross carrying amount	157,542	508	314	158,364
Less: loss allowance	11	6	-	17
Total carrying amount	157,531	502	314	158,347
Commercial loans				
Low risk	116,450	-	-	116,450
Moderate risk	-	263	-	263
High risk	-	-	1,348	1,348
Total gross carrying amount	116,450	263	1,348	118,061
Less: loss allowance	296	3	1,331	1,630
Total carrying amount	116,154	260	17	116,431
Consumer mortgage loans				
Low risk	178,618	-	-	178,618
Moderate risk	· -	1,011	-	1,011
High risk	-	-	281	281
Total gross carrying amount	178,618	1,011	281	179,910
Less: loss allowance	115	3	251	369
Total carrying amount	178,503	1,008	30	179,541
Consumer non-mortgage loans				
Low risk	32,780	-	-	32,780
Moderate risk	-	18	-	18
High risk	-	-	217	217
Total gross carrying amount	32,780	18	217	33,015
Less: loss allowance	168	-	126	294
Total carrying amount	32,612	18	91	32,721
TOTAL				
Low risk	485,390	-	-	485,390
Moderate risk	-	1,800	-	1,800
High risk	-	-	2,160	2,160
Total gross carrying amount	485,390	1,800	2,160	489,350
Less: loss allowance	590	[^] 12	1,708	2,310
Total carrying amount	484,800	1,788	452	487,040

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

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 Northern Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

		Lifetime ECL (not credit	Lifetime ECL (credit	
	12-month ECL	impaired)	impaired)	Total
Agriculture loans				
Balance at January 1, 2021	8	-	8	16
Net remeasurement of loss allowance	2	-	(8)	(6)
Balance at December 31, 2021	10	_	-	10
Net remeasurement of loss allowance	1	-	6	7
Balance at December 31, 2022	11	-	6	17
Commercial loans				
Balance at January 1, 2021	187	12	2,908	3,107
Net remeasurement of loss allowance	85	15	(1,012)	(912)
Balance at December 31, 2021	272	27	1,896	2,195
Net remeasurement of loss allowance	24	(24)	(565)	(565)
Balance at December 31, 2022	296	3	1,331	1,630
Consumer mortgage loans				
Balance at January 1, 2021	119	1	250	370
Net remeasurement of loss allowance	12	1	44	57
Balance at December 31, 2021	131	2	294	427
Net remeasurement of loss allowance	(16)	1	(43)	(58)
Balance at December 31, 2022	115	3	251	369
Consumer non-mortgage loans				
Balance at January 1, 2021	151	2	129	282
Net remeasurement of loss allowance	86	(2)	(42)	42
Balance at December 31, 2021	237	-	87	324
Net remeasurement of loss allowance	(69)	-	39	(30)
Balance at December 31, 2022	168	-	126	294

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Total				
Balance at January 1, 2021	465	15	3,295	3,775
Net remeasurement of loss allowance	185	14	(1,018)	(819)
Balance at December 31, 2021	650	29	2,277	2,956
Net remeasurement of loss allowance	(60)	(23)	(563)	(646)
Balance at December 31, 2022	590	6	1,714	2,310

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

The carrying amount of SaskCentral 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 on 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 owner needs.

Risk measurement

The Credit Union's risk position is measured and monitored each month to ensure compliance with policy. Management provides regular and timely 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 reviewed by the Credit Union. The Credit Union has the authority to enter into interest rate swaps to adjust the exposure to interest rate risk by modifying the repricing of the Credit Union's financial instruments.

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

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 monthly 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 \$255 (2021 - \$279) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by \$142 (2021 - \$694) over the next 12 months.

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

,						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	12,820	-	-	-	12,679	25,499	46,892
Average yield %	1.69	-	-	-	-	0.85	0.65
Investments	-	5,500	46,500	47,150	5,783	104,933	120,363
Average yield %	-	1.79	2.59	1.63	-	1.98	1.55
Member loans receivable	86,784	15,199	71,249	315,779	-	489,011	450,677
Average yield %	7.01	3.97	4.22	3.65	-	4.34	4.06
Accounts receivable	-	-	-	-	7,753	7,753	37
	99,604	20,699	117,749	362,929	26,215	627,196	617,969

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

Net sensitivity	(159,051)	(42,373)	66,249	279,971	(89,034)	55,762	43,077
	258,655	63,072	51,500	82,958	115,249	571,434	574,892
Membership shares	-	-	-	-	59	59	60
Accounts payable	-	-	-	-	4,858	4,858	4,825
Liabilities Member deposits Average yield %	258,655 1.30	63,072 2.22	51,500 2.53	82,958 3.48	110,332 -	566,517 <i>1.58</i>	570,007 <i>0.94</i>

Liquidity risk

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

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

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

- Structural liquidity risk, which addresses the risk due to mismatches in effective maturities between assets and liabilities, more specifically the risk of over reliance on short-term liabilities to fund long-term illiquid assets;
- Tactical liquidity risk, which addresses the day-to-day funding requirements that are managed by imposing prudential limits on net fund outflows; and
- Contingent liquidity risk, which 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 and others;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits; and
- Contingency planning.

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

The following table details contractual maturities of non-derivative financial liabilities:

As at December 31, 2022:

	< 1 year	1-2 years	> 2 years	Total
Member deposits	483,559	46,733	36,225	566,517
Accounts payable	4,858	-	-	4,858
Membership shares	59	-	-	59
Total	488,476	46,733	36,225	571,434

For the year ended December 31, 2022

17. Financial instruments (Continued from previous page)

Liquidity risk (Continued from previous page)

As at December 31, 2021:

	< 1 year	1-2 years	> 2 years	Total
Member deposits	464,146	77,582	28,279	570,007
Accounts payable	4,825	-	-	4,825
Membership shares	60	-	-	60
Total	469,031	77,582	28,279	574,892

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:

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	25,499	-	-	25,499
Investments	57,783	26,650	20,500	104,933
Member loans receivable	173,232	70,550	245,229	489,011
Accounts receivable	7,753	-	-	7,753
Total	264,267	97,200	265,729	627,196

As at December 31, 2021:

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	46,892	-	-	46,892
Investments	76,409	28,453	15,501	120,363
Member loans receivable	34,672	62,926	353,079	450,677
Accounts receivable	37	<u>-</u>	-	37
Total	158,010	91,379	368,580	617,969

The above tables were prepared using undiscounted contractual maturities of financial assets including interest that will be earned on these amounts.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks from foreign exchange rate fluctuations, the Credit Union maintains foreign cash balances to approximately offset deposits held in foreign funds.

Foreign currency risk is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant excess foreign currency denominated financial investments for an extended period.

For the year ended December 31, 2022

18. Fair value measurements

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

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

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

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

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

Financial assets and financial liabilities measured at fair value

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

	Fair value	Level 1	Level 2	2022 Level 3	
Financial assets SaskCentral shares	4,028	_	_	4,028	
Other equity investments	1,372		1,121	251	
Total financial assets	5,400	-	1,121	4,279	
				2021	
	Fair value	Level 1	Level 2	Level 3	
Financial assets					
SaskCentral shares	5,255	-	5,255	-	
Other equity investments	699	-	563	136	
Total financial assets	5,954	-	5,818	136	

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 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.

For the year ended December 31, 2022

18. Fair value measurements (Continued from previous page)

Financial instruments not measured at fair value

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

					2022
	Carrying				
	amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at					
amortized cost					
Cash and cash equivalents	25,499	25,499	25,499	-	-
Investments	99,533	97,006	-	97,006	-
Member loans receivable	489,011	468,672	-	468,672	-
Accounts receivable	7,753	7,753	-	7,753	-
Total financial assets	621,796	598,930	25,499	573,431	-
Financial liabilities measured at					
amortized cost					
Member deposits	566,517	566,521	_	566,521	_
Accounts payable	4,858	4,858	_	4,858	_
Membership shares	59	59	-	-	59
Total financial liabilities	571,434	571,438	-	571,379	59
					0004
	Comina				2021
	Carrying	Fair value	Level 1	Level 2	Level 3
Financial assets measured at	amount	raii vaiue	Lever	Level 2	Level 3
amortized cost					
Cash and cash equivalents	46,892	46,892	46.892		
Investments	114,409	114,392	40,092	- 114,392	-
Member loans receivable	450,677	450,677	-	450,677	_
Accounts receivable	430,077	430,077	-	430,077	_
/ Nocourts receivable		01		01	
Total financial assets	612,015	611,998	46,892	565,106	-
Financial liabilities measured at					
amortized cost					
Member deposits	570,007	573,124	_	573,124	_
Accounts payable	4,825	4,825	_	4,825	_
Membership shares	4,023 60	60	_	-,020	60
Total financial liabilities	574,892	578,009		577,949	60

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.

For the year ended December 31, 2022

19. Commitments

In 2016, the Credit Union entered into a seven year commitment with Celero for the provision of retail banking services. 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 \$355 (2021 - \$375) and recorded as an expense. The annual estimated fee for the year ended December 31, 2023 is \$377 (2022 - \$355).

In 2021, the Credit Union entered into a five year commitment with Hyland Software Canada ULC for an information management system. The remaining commitment for the year ended December 31, 2022 is \$184,300.

The amounts shown in the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. As at December 31, 2022, the Credit Union had the following other commitments subject to credit risk:

	2022	2021
Venture Capital cash calls		
Westcap MBO II Investment LP	-	100
Westcap MBO III Investment LP	774	1,000
MDL Real Estate Income Fund LP	364	364
	1,138	1,464

20. 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.

21. 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. As of December 31, 2022, the Credit Union had provided approximately 418 members with CEBA loans and had funded approximately \$22,825 in loans under the program.

22. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.