AGENDA
60th ANNUAL MEETING
KERROBERT CREDIT UNION LIMITED
MARCH 20, 2023

1. CALL TO ORDER BY PRESIDENT
2. APPROVAL OF AGENDA
3. CONFIRMATION OF QUORUM (MINIMUM OF 15 MEMBERS)
4. CONFIRMATION OF ADEQUATE MEETING NOTICE
5. CONFIRMATION OF FINANCIAL STATEMENT AVAILABILITY WITHIN REQUIRED TIME
6. MINUTES OF THE 59TH ANNUAL MEETING
7. BUSINESS ARISING FROM MINUTES
8. BOARD OF DIRECTORS' REPORT
9. MANAGEMENT DISCUSSION AND ANALYSIS
10. ADOPTION OF REPORTS PRESENTED
11. NOMINATING COMMITTEE REPORT
12. APPOINTMENT OF AUDITORS FOR 2023
13. PRESENTATION OF SERVICE AWARDS
14. NEW BUSINESS
15. ADJOURNMENT

KERRROBERT CREDIT UNION LIMITED
CHARTER NO. 343
INCORPORATED MAY 1, 1963

BOARD OF DIRECTORS	EXPIRY OF TERM
1. Brennan Murphy	2023
2. Tracey Cholin	2023
3. Tammy Krahn	2023
4. Nancy Charteris	2024
5. Rob Wiebe	2024
6. Vacant	2024
7. Terry Welter	2025
8. Ian Welter	2025
9. Shannon Cholin	2025

EXECUTIVE

President	Brennan Murphy
1ST Vice-President	Ian Welter
2ND Vice-President	Vacant

STAFF

Trina Duhaime	General Manager
Michelle Henderson	Business Development Manager
Tara MacKinnon	Lending Administrator
Lori Clappison	Deposit Support
Shirleen Fruhstuk	Member Service Representative
Jamie Gramlich	Member Service Representative (Major Branch)
Tammy Neumeier	Member Service Representative (Part-Time)
Rebecca Witt	Risk & Compliance Officer (Part-Time)

ANNUAL MEETING OF THE MEMBERS OF
THE KERROBERT CREDIT UNION LIMITED

Proof of Notice:

CANADA	)	
	)	I, Trina Duhaime,
PROVINCE OF SASKATCHEWAN	)	of the Town of Kerrobert
	)	in the Province of Saskatchewan,
	)	General Manager of the
	)	Kerrobert Credit Union Limited

TO WIT:

That I have personal knowledge that the notice of this annual meeting was duly prepared and given to its' members, as required by the Bylaws of the Credit Union and the Credit Union Act, 1988.

NOTICE was posted in branch starting February 6, 2023, on Facebook and Instagram beginning February 10, 2023, and the Chronicle newspaper starting February 14, 2023.

Sworn before me at the Town	)	
of Kerrobert, in the Province	)	
of Saskatchewan, this 13 day	)	Duhaime
of March, 2023.	)	

A Commissioner for Oaths in and for
The Province of Saskatchewan
My commission expires: March 31, 2026

ANNUAL MEETING OF THE MEMBERS OF THE
KERROBERT CREDIT UNION LIMITED

I, Trina Duhaime, General Manager of Kerrobert Credit Union Limited, make oath and say that:

The Auditor's Report and Financial Statement were made available to the membership on March 6, 2023, which is at least 10 days prior to the annual meeting.

Sworn before me at the Town)
of Kerrobert, in the Province)
of Saskatchewan, this 13 day)
of March 2023.)

Duhaime

A Commissioner for Oaths in and for
The Province of Saskatchewan
My Commission expires: March 31, 2026

KERROBERT CREDIT UNION LIMITED
59TH ANNUAL GENERAL MEETING
MINUTES

DATE: March 21, 2022

TYPE OF MEETING: Annual

Call to Order:

Brennan Murphy called meeting to order at 7:03 p.m.

Agenda Approval:

2022-23 **WITT-CHOLIN**

Motion was made by Rebecca Witt and seconded by Tracey Cholin to accept the agenda as presented.

Carried.

Confirmations:

As required by our Credit Union bylaws, the staff receptionist recorded 27 members and 0 guests present at the meeting, which confirms we have a quorum.

Trina Duhaime confirmed that notice of the annual meeting was posted in the Chronicle newspaper on February 21, 2022, on our website on February 22, 2022, and on Facebook, Instagram, and in branch February 23, 2022.

Trina Duhaime also confirmed that the audited financial statements were available at least 10 days prior to the meeting on March 1, 2022.

Therefore the meeting is now lawfully convened.

Meeting Minutes:

Michelle Henderson read the minutes of the 58th Annual Meeting. No business arose from the minutes and no questions were asked.

2022-24 **KRAHN-MACKINNON**

Motion was made by Tammy Krahn and seconded by Tara MacKinnon to approve the minutes as read.

Carried.

Board of Directors Report:

Brennan Murphy presented the Board of Directors report, highlighting our resiliency throughout the pandemic and discussed how we promoted our mission of being visible to our community with our donations and member contact during the year. He mentioned staffing changes and thanked all staff and board of directors for their continued service. He concluded with a thank you to our members for allowing us to continue to serve them.

2022-25 **CHOLIN-BURGARDT**

Motion was made by Lorne Cholin and seconded by Rhinehart Burgardt to accept the Board of Directors report as presented.

Carried.

Management Discussion and Analysis:

Trina Duhaime presented the Management Discussion and Analysis. She highlighted the strong asset and deposit growth and discussed the slight struggle to maintain loan growth. She mentioned the launch of our new public website that was scheduled for fall of 2021 had been postponed until late 2022. She talked about the key capital ratios we monitor throughout the year and how we have remained above our regulatory and board targets for those ratios. Our year end profit was $190,710.

2022-26 **MURPHY-CHARTERIS**

Motion was made by Sheila Murphy and seconded by Wayne Charteris to accept report as presented.

Carried.

Nominations Committee Report:

Nancy Charteris, Nominations Committee Returning Officer, presented the nomination criteria. She indicated that three board member terms were up for elections and three nominations were received by Terry Welter, Ian Welter and Shannon Cholin.

All nominations were received at least 21 days prior to the annual meeting, as required by our bylaws. Nancy Charteris declared we have 3 positions and 3 nominations, all nominees elected by acclamation.

Appointment of Auditors:

Brennan Murphy reported the audit committee and board of directors are satisfied with the audit we are receiving from Meyers Norris Penny (MNP) and recommended their appointment for 2022.

2022-27 **FRUHSTUK-WITT**

Motion was made by Shirleen Fruhstuk and seconded by Rebecca Witt to appoint MNP as our external auditor for 2022.

Carried.

Presentation of Awards:

Brennan Murphy presented Lori Clappison, Tammy Neumeier and Shirleen Fruhstuk with 20-year service awards.

Ian Welter presented Brennan Murphy with 20-year service award.

New Business:

None to report.

2022-28 **WIEBE**

Motion was made by Rob Wiebe to adjourn meeting at 7:26 p.m.

BRENNAN MURPHY, PRESIDENT

MICHELLE HENDERSON, SECRETARY

2022 KERROBERT CREDIT UNION BOARD OF DIRECTOR'S REPORT

Welcome to the 60th Annual Meeting of the Kerrobert Credit Union.

Our credit union incorporated on May 1, 1963. Today we are celebrating sixty years of service to our communities. The Board of Directors recorded at the time of incorporation consisted of ten individuals. Perhaps some would remember the names of McGowan, Park, Grain, Murphy, Edmonds, Moreau, Wolokoff, Kirk, Vallance, and Kwasnitza. Throughout the last sixty years we have occupied three buildings, beginning in an old government telephone building to our current office that was built in 2015.

Our primary focus from the beginning was to serve our community. We began with simple chequing and savings accounts, and have evolved to offer registered products, US chequing accounts, and loans for consumer, commercial and agricultural members. We started with a pencil and a ledger book, upgraded to computers, offered debit cards, installed the first ATM in Kerrobert and expanded our services with the addition of on-line banking. Now we offer a variety of credit cards and have advanced computer systems for automatic payments, e-transfers, and mobile deposits.

Technology advances continue to drive our industry. As an organization, we realize that to serve our members into the future we must embrace change while recognizing the members who have been long time supporters. We must educate our members on financial literacy, safe use of technology, and the importance of online security.

Our financial success has enabled us to remain independent, locally responsible and relevant to the communities we serve. Over the last 10 years we have averaged over $30,000 in annual donations. Some of those donations include $50,000 to KLD Wellness for the new hospital, $21,700 for the score clock at the hockey rink, $10,000 for upgrades at the Swimming Pool, and $69,100 for bursaries to graduating students in both Major and Kerrobert.

In 2022, we provided $44,264 in donations, sponsorships, and advertising. This included BBQ's for both the Major and Kerrobert Fire Departments, Sunday Fun-day free swimming days throughout the pool season, bursary awards to eligible graduating students, and support of the Breakfast program at Kerrobert Composite School. Additional donations were made to the Pioneer's Haven, the Kerrobert Courthouse Restoration Society, Kerrobert Agricultural Society, Kerrobert Golf Course, Communities in Bloom, Kerrobert Food Bank, Festival of Trees and more. Along with donations, in the last few years, our staff have volunteered over 1100 hours to support community events.

As a result of our increased profit from 2022 we have the financial strength to continue to support community projects and enhance our product offerings. In 2023 we plan to eliminate e-transfer fees and implement enhancements to technology offerings such as the MemberDirect Small Business platform and Mobile Pay for apple and android devices. We plan to apply increased security features to our online applications, as well as develop a member loyalty reward program. Our goal is to remain relevant in the years to come.

Today, we have directors who are dedicated to the future success of our credit union along with employees that remain committed to providing excellent customer service to our membership and reinforce our mission to be visible in our community. I would like to recognize my fellow board members, Terry Welter, Ian Welter, Rob Wiebe, Nancy Charteris, Shannon Cholin, Tracey Cholin and Tammy Krahn as well as our staff, Trina Duhaime, Michelle Henderson, Lori Clappison, Shirleen Fruhstuk, Tammy Neumeier, Jamie Gramlich, Tara MacKinnon and Rebecca Witt. Together we continue to make a difference.

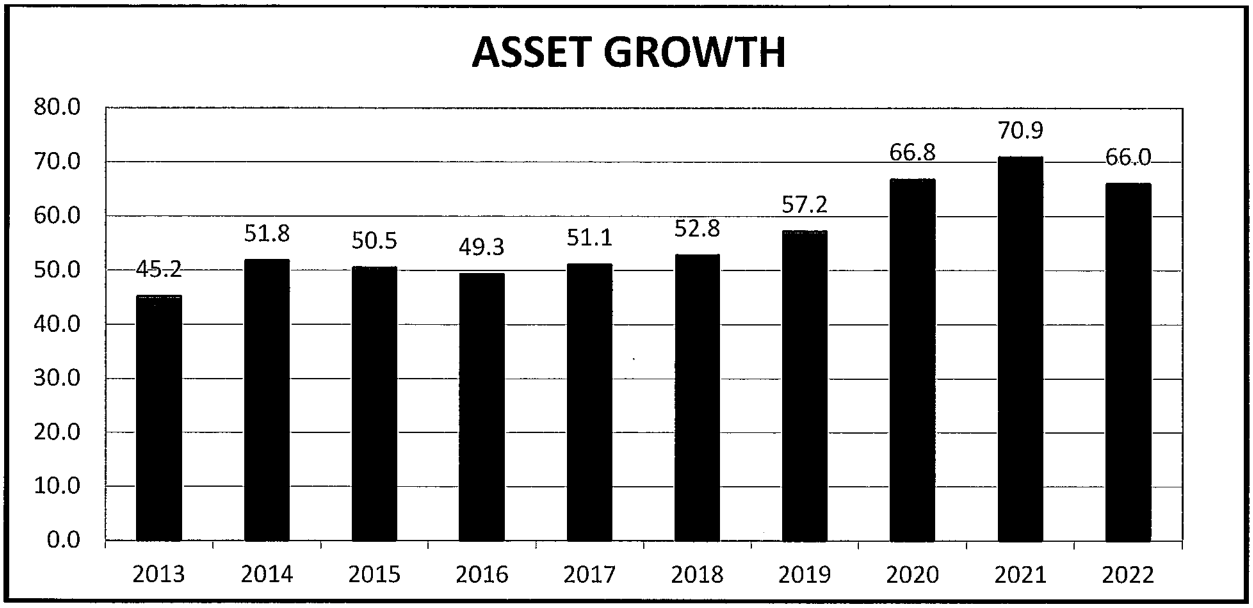
Most of all, I would like to take this opportunity to thank our membership. Your support and loyalty drives our continued success.

Brennan Murphy
President

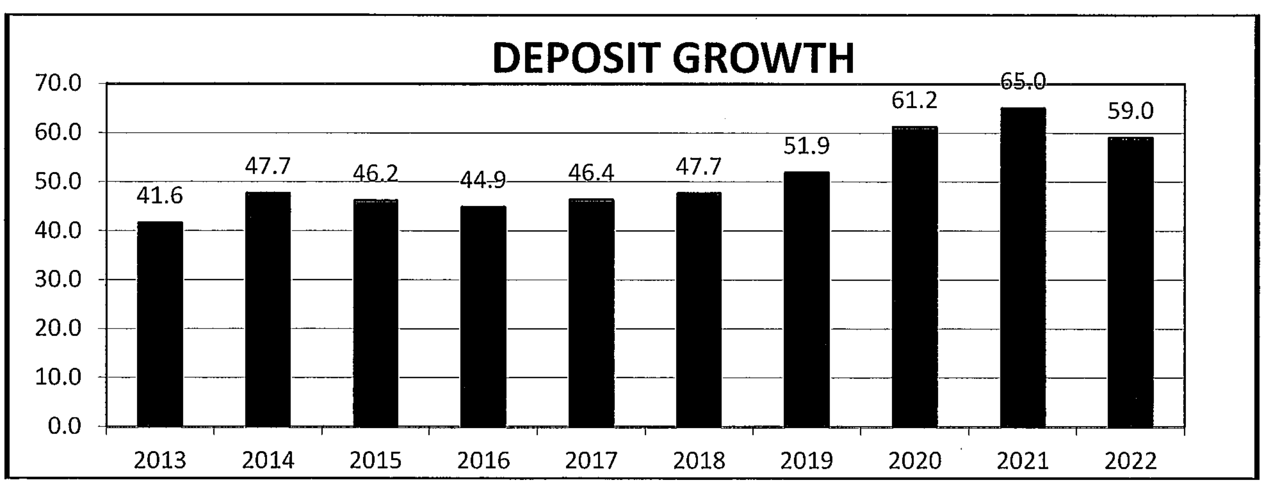
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Statement Highlights – December 31, 2022

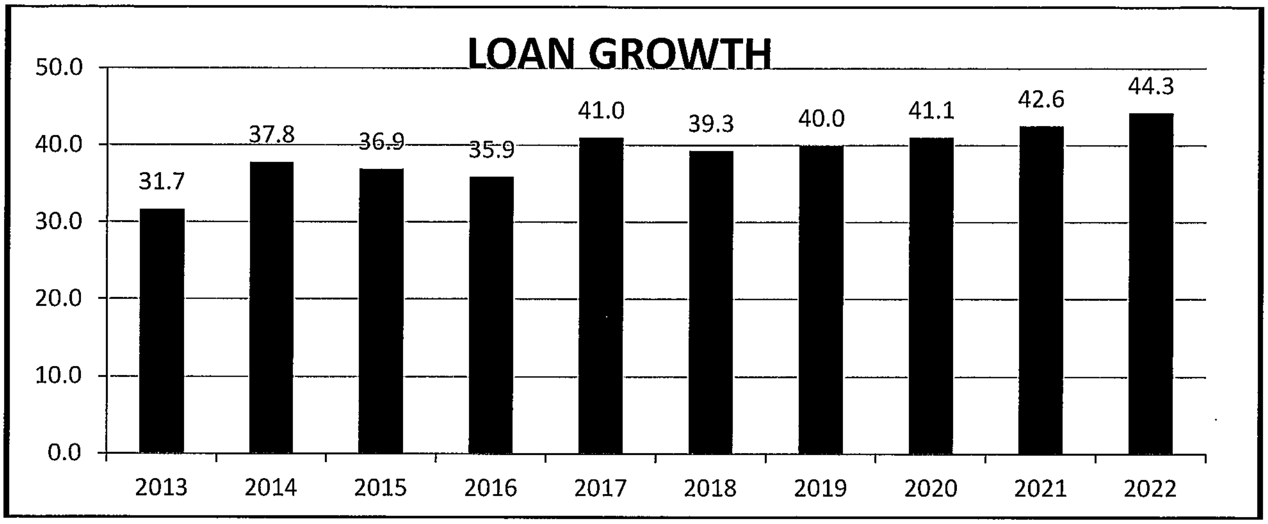
In 2022 our asset growth subsided. Our assets dropped slightly to 66,007,972 or a decrease of 7.37% over last year. This is attributed to a decrease in deposits held throughout the year. During the pandemic years of 2020 and 2021, we experienced unprecedented growth in assets however in 2022 we returned to asset levels more in line with the steady growth from the years prior to the pandemic. Our average increase in assets has been 5.12% over the last 10 years.



Our member deposits declined by 9.18% or down to $59,046,230 at the end of 2022. As restrictions were lifted and sports activities and community events resumed, we also experienced higher food and energy prices resulting in reduced discretionary income.



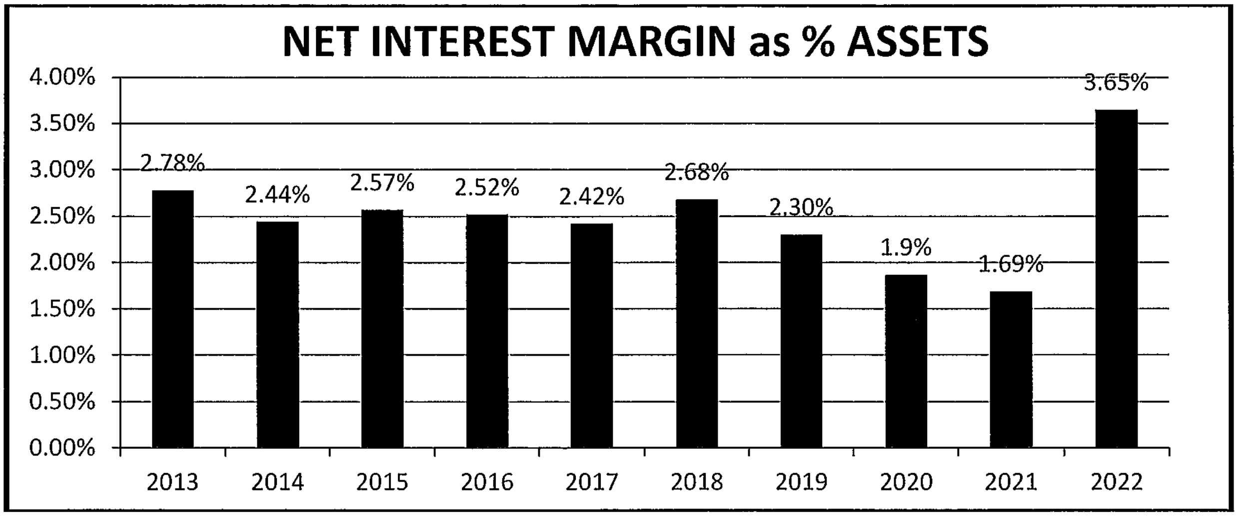
Our institution relies on loans for our main income stream. In 2022 we were able to increase our loan portfolio in local member loans and purchased lease pools. This positive growth allowed us to end the year at a 67.06% loan to asset ratio, with $44,267,816 in loans or a growth rate of 4.0% over last year. Our goal is to have a quality loan portfolio that contributes to the financial success of the credit union while meeting our member's credit needs. In 2022, we disbursed 58 loans and lines of credit for a total of $7,948,031. Our average growth over the last 10 years is 4.75%



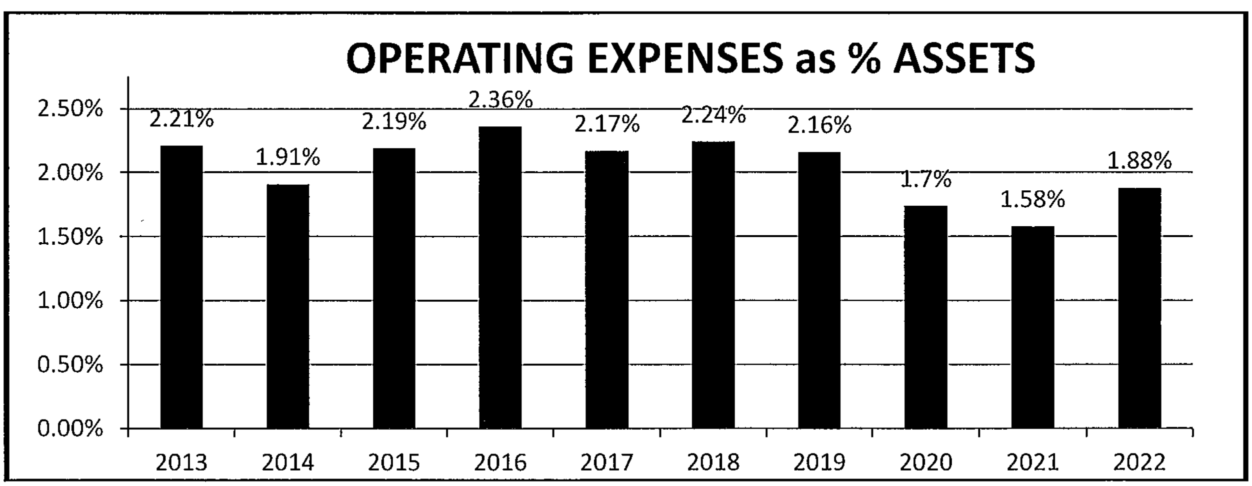
Delinquency levels continue to be well managed. In fact, delinquency over 90 days was 0% for the fourth year in a row. We know we are not immune to potential changes in our delinquency levels, so we encourage regular communication with our members to ensure we are aware of concerns that would affect their payment plans. We also incorporate strong credit underwriting and responsible lending practices to ensure member debt servicing remains strong.

Accounting standards assist us in analyzing our loan portfolio, the level of credit risk and potential for loan losses. This process is influenced by several factors such as historical delinquency, the Canadian economy, unemployment rates and interest rates. Certain industries and regions in our province continue to face challenges. Managing our internal loan files is conducted by regular file reviews. Our syndication partners also provide annual reviews for our analysis and due diligence on the external loan portfolio. These reviews and continuous communication with our members and partners allow us to address any potential impacts to our portfolio. Due to challenges in the commercial sector including the hospitality industry, we required a slight increase in the potential loan loss allowance for 2022.

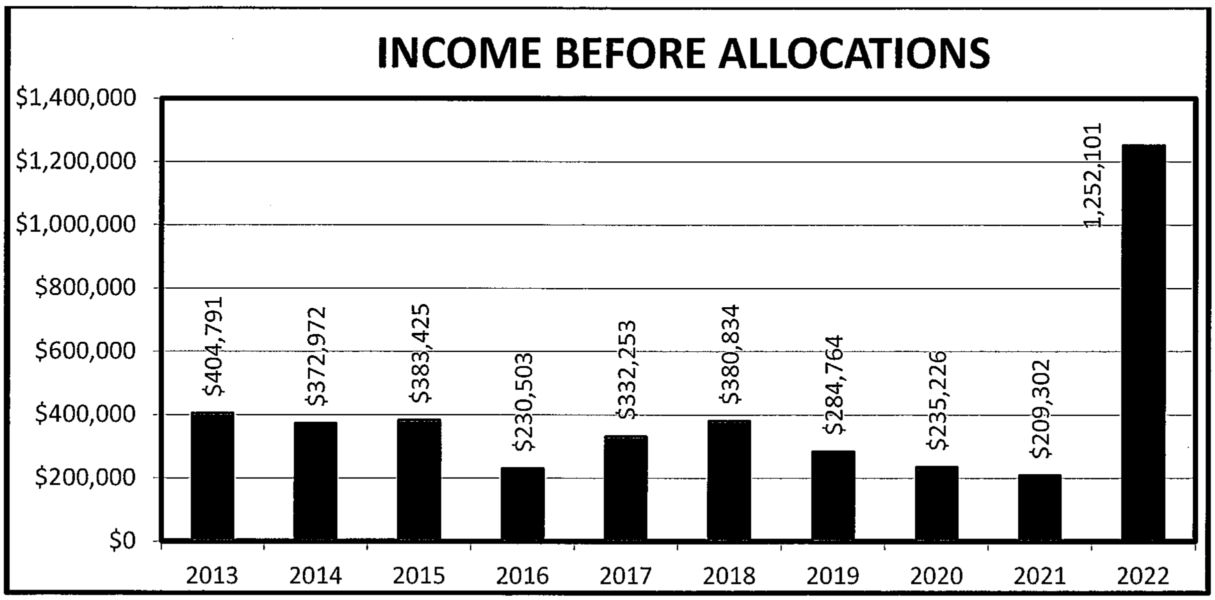
In 2022, our net interest margin increased from 1.69 to 3.65%. This is mainly attributed to the one-time dividend payment received from SaskCentral due to the sale of Concentra. However, without this one-time payment our interest margin would have been 2.35% due to the increases in the prime interest rate, increased loan demand and investment opportunities we took advantage of throughout the year. On average during 2020-2021 we were able to invest our excess liquidity at a rate of 0.37% whereas in 2022 as prime increased the average rate on our investments grew to 3.49% As a result of the rising rates throughout 2022, we had substantially higher deposit interest expenses, however this was offset by higher interest revenue from our loan portfolio.



Operating expenses as a percentage of assets increased slightly in 2022. Compliance and technology expenses are costly but vital to operating our business. To make advances in technology that serve our members we must manage these expenses while remaining compliant. Throughout 2022 our staff completed the work on the development of a new public website, as well as updated our online banking and mobile applications as those platforms were at the end of life. The other items within this category such as insurance, taxes and audit services continue to increase as the cost of doing business increases.



The financial strength of our credit union is primarily measured by our capital ratios. Capital levels are managed according to policies and plans that are reviewed and approved by the Board of Directors. Our regulator, Credit Union Deposit Guarantee Corporation (CUDGC) has set minimum levels to these ratios. The board sets our policy minimums and targets we aim to achieve above the CUDGC minimums. Two of the main ratios we measure are Leverage (formerly known as equity) and Eligible Capital to Risk Weighted Assets. The Leverage ratio is a measure of members' equity as a percentage of total assets whereas the Eligible Capital to Risk Weighted Assets is a measure of assets and their specific levels of risk compared to equity reserves. CUDGC minimum for Leverage is 5% whereas our policy target is 7% and we achieved a ratio of 10.59%. Additionally, the Eligible Capital to Risk Weighted Assets minimum set by CUDGC is 10.5% whereas our credit union target is 13.7% and we achieved 17.43%. This means we have maintained a strong capital position.



Net income, prior to allocations, increased significantly to $1,252,101. $802,054 of this profit was in the form of the one-time dividend payment from SaskCentral as a result of the sale of Concentra Bank which has well positioned us for future growth.

In 2022 through the collaborative efforts of 26 credit unions we assisted in the formation of National Consulting Limited. This organization provides operational support and solutions to credit unions nationally. The services offered include deposit and lending compliance, Anti-Money Laundering support, banking related services such as contract negotiations and legal reviews, fraud management and customized training for our employees. This organization adds to our values of a cooperative focus and the success of our credit union.

Respectfully submitted by

Trina Duhaime B. Comm, FCUIC
General Manager

VISION, MISSION AND VALUES

Vision

We aspire to grow our community through service excellence, social responsibility, and financial strength.

Growing Community – Kerrobert Credit Union has a commitment to the needs of our members and the community. Beyond providing financial services the Kerrobert Credit Union must provide a leadership role.

Service Excellence – Delivering product and service excellence that will result in member satisfaction and community success requires an emphasis on excellence. Excellence is brought to life through the knowledge and expertise of our employees and elected leaders and their connection to the community.

Social Responsibility – Kerrobert Credit Union contributes to the welfare of our members and community. From the beginning, the Kerrobert Credit Union has filled needs that have not been satisfied by other financial service providers. Future relevance depends on remaining true to this core strength. Social responsibility is fundamental to the greater role and purpose of the Kerrobert Credit Union.

Financial Strength – Kerrobert Credit Union is an institution of trust and integrity. Members and the community alike look to the credit union as a source of investment and contribution. Financial strength is the ability to provide investment for growth and development. Financial strength provides a solid financial base so we can invest in growth for the future.

Mission

Kerrobert Credit Union Limited is a member owned, community-based organization dedicated to the co-operative philosophy, which provides a range of quality personal, financial services to fulfill the needs of the members and the community.

We achieve this through sound financial management and relevant approaches to service and product excellence.

Kerrobert Credit Union promotes the credit union image through involvement and visibility in the community.

Values

Kerrobert Credit Union subscribes to the co-operative principles as endorsed by the International Co-operative Alliance, and the international credit union operating principles as endorsed by the World Council of Credit Unions.

Co-operation and Accountability – Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. We work together through a belief that we can accomplish more together than alone. We consider the effect of our actions on others. In the tradition of our founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Communication – We communicate in an open, effective, and timely manner.

Community Impact – We actively support the development of our communities locally, provincially, and beyond. Our communities are stronger because of the credit union system.

Employee Satisfaction – We respect our employees and their contribution to our success. We encourage employee involvement and participation. We recognize and reward them for their creativity, teamwork, and achievement. We support their development by providing training and educational opportunities. We respect their need to balance personal and professional lives.

Financial Strength – Our strong financial performance allows us to invest in members and the community for future growth. We balance the need for financial results with the needs of our members and communities. The trust and confidence of our members is maintained through sound business practice.

Product and Service Excellence – We work with our members and communities to understand their needs and respond with high quality products and services. Our employees provide friendly, knowledgeable, and helpful service.

Professional Conduct – Members' financial affairs are conducted with integrity and in a professional manner. Our ethical principles are rooted in the concern for the individual. Confidentiality is integral to the way we do business.

CREDIT UNION MARKET CODE

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

- Complaint handling, which outlines the process for dealing with all complaints regarding the service, products, fees, or charges of Kerrobert Credit Union.
- Fair sales by outlining the roles and relationship of staff to all members/clients and in accordance with the financial services agreement.
- Privacy to protect the interests of those who do business with Kerrobert Credit Union. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.

- Professional standards to preserve a positive image of Kerrobert Credit Union among our members, clients, and communities.
- Capital management to ensure our capital structure aligns with our risk philosophy.
- Financial reporting to adhere to business and industry standards.
- Governance practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Kerrobert Credit Union.
- Risk management to ensure all risks are measured and managed in an acceptable fashion.

CO-OPERATIVE PRINCIPLES

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

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

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

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

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

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

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

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

INTRODUCTION

Kerrobert Credit Union is an independent credit union owned by our members. As of December 2022, we had 1231 members.

Kerrobert Credit Union serves the communities of Kerrobert and Major. The Kerrobert office provides a wide range of deposit, lending, and investment products. The Major branch is open part-time, offering deposit and investment services.

STRATEGY

The vision of Kerrobert Credit Union is to be the leading provider of a wide range of financial services in Kerrobert, Major and surrounding areas. To monitor our specific objectives throughout the year that support this vision, we have developed a strategic plan that outlines our long and short-term goals. The Board of Directors and management review those goals semi-annually.

The Kerrobert Credit Union reviewed their strategic objectives in late 2022. We still utilize and identify four key focus areas.

The first is *People and Performance*. Within this area, we look to maintain a culture of service excellence that exceeds expectations; ensure we have the right competencies to achieve our strategies; and increase our people's awareness of member opportunities and strengthen their skills to proactively engage our members.

Second is *Members and Community*. Here, we want to enhance the depth of our financial relationships with members and the general public; increase our understanding of our member's financial needs and assist them in achieving their financial goals; lead our communities through involvement and financial support; and increase the awareness of the Kerrobert Credit Union 'brand' and our credit union difference.

The third area is *Financial Performance*. This is as simple as ensuring optimal financial strength (ie: sufficient profitability and sustainable growth) to achieve our strategies.

The final area is *Development*. We want to position ourselves to succeed in the future state; ensure we have the financial products and services our members want and which make financial sense for our credit union to offer; and we will look to collaborate with like-minded credit unions to achieve our strategies.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management is a systematic process, conducted by your board and management, designed to identify potential events that may affect planned outcomes and responding to those events so as to manage risks to be within its risk appetite and to provide reasonable assurance of entity objectives. Risks are categorized and defined as: Credit/Concentration Risk, Liquidity Risk, Emerging Risks, Reputation Risk, Human Resources Risk, Operational Risks, Strategic Risk, Market/Interest Rate Risk and Legal/Regulatory Risk. Kerrobert Credit Union will maintain appropriate levels of control over all risks faced by the enterprise in the normal course of doing business. These controls are aimed at minimizing uncertainty and maximizing opportunity such that the capacity of the enterprise to protect and grow shareholder value is optimized.

Annually, your Board of Directors will complete a strategic planning process to review and determine the mission, objectives and strategic business priorities of the credit union and establish the basis on which longer term operational decisions will be undertaken.

In setting direction, the business planning process will give preference to decisions made by consensus. The majority rule applies where necessary to assure that decisions are undertaken in the priority given. Implementation of the strategic business plan is the responsibility of the General Manager, who reports to the board at regular meetings on the organization's progress in relation to the plans.

Strategic Risk

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

The Board of Directors is accountable to the members of the credit union for directing the affairs of the credit union and maintaining policies that are responsive to their needs and the needs of the credit union for sound operations. The Board of Directors works diligently on behalf of the members to set the corporate strategy and direction, while Management develops and delivers operating strategies.

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

At the operational level, asset values are monitored to determine existing market prices, past trends and the most likely future direction. In terms of interest rate risk, management utilizes static gap modeling to ensure that abrupt and unexpected changes in interest rates will not cause a significant impact to the credit union beyond its ability to withstand that impact. Management takes a conservative approach to asset valuation to ensure the credit union is not taking on elevated levels of risk.

Interest rate risk is the probability of a decline in the value of an asset resulting from unexpected fluctuations in interest rates. A couple of examples of this type of risk would be: A large portfolio of loans with variable interest rates and the prime interest rate decreases. This would result in reduced income. A second example would be a member locking their investment in for 5 years and having rates steadily increase over 5 years. This would result in lost investment income for that member, but reduced expenses for the Credit Union.

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

Each day the credit union monitors the actual inflows and outflows of funds through our SaskCentral clearing account. The credit union has established a $1,400,000 line of credit on this account. At December 31, 2022 Kerrobert Credit Union held 11.46% of its member liabilities in a Statutory Liquidity Account. The credit union has never had to draw upon this facility to fund its liquidity requirements.

Another liquidity requirement is called the Liquidity Coverage Ratio (LCR). The object of the LCR is to ensure the credit union has an adequate stock of unencumbered high quality liquid assets (HQLA) that consists of assets which 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 Credit Union Deposit Guarantee Corporation. As at December 31, 2022 Kerrobert Credit Union was well above the CUDGC regulatory guideline. The guideline remained at 100% or greater for 2022. Kerrobert Credit

Union is still well positioned to remain above regulatory guidelines. We had set our LCR ratio at 120% and as of December 31, 2022 we were at 727.58%.

Credit/Concentration Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability to meet its obligations. Examples of sources of credit risk may include direct lending activities and holdings of investment securities. At December 31, 2022 the Kerrobert Credit Union had no delinquent loans over 90 days. We continue to monitor and work with our members in keeping delinquency at a minimum.

Concentration risk is the level of risk in a Financial Institution's portfolio arising from concentration to a single counterparty, sector or country. The risk arises from the observation that more concentrated portfolios are less diverse and therefore the returns on the underlying assets are more correlated. Being that Kerrobert Credit Union has a small trade area, we could consider oil or farming within our area a concentration risk. We look to offset those risks by partnering with other Credit Unions or Credit Union affiliated companies to diversify our loan portfolio outside our trade area. Those agreements are referred to as syndication or participation loans.

When Kerrobert Credit Union is overexposed in a specific area of lending or close to its lending limits, we may sell that loan to another Credit Union, upon their approved assessment of the file. Kerrobert currently syndicates out three loans to other Credit Unions. Another option is when Kerrobert Credit Union purchases loans from elsewhere. This process is used when lending opportunities within our membership are limited or we are looking to diversify our portfolio. Kerrobert has a number of participation loans and leases which it has purchased from other Credit Unions, Concentra Financial and Calidon Leasing.

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

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOC's do not fit a regular amortization schedule. Kerrobert Credit Union currently holds four HELOC's at a value of $325,000

A non-conforming mortgage is a mortgage on residential property securing a loan that is approved with exceptions to requirements outlined in policy and procedures. As of December 31, 2022 the credit union held three non-conforming mortgages at a value of $278,610.29. Due to the exceptions to policy these types of mortgages would pose more risk to the credit union and therefore are monitored regularly and reported quarterly to the board.

Additionally, Kerrobert Credit Union is registered to hold mortgages in Alberta. As of December 31, 2022 the credit union held two conventional mortgage in Alberta for a value of $353,431.77. The remainder of our residential mortgage portfolio are Saskatchewan locations.

Kerrobert Credit Union's residential mortgage portfolio as of December 31, 2022 is as follows:

Amortization period	Number	Insured (CMHC)	% of Portfolio	Uninsured (Conventional)	% of Portfolio
Less than 5 years	9	0.00	0%	$1,664,900.90	15.85%
5-10 years	44	$116,530.48	1.11%	$4,099,052.27	39.02%
11-15 years	10	$172,699.80	1.64%	$423,050.78	4.03%
16-20 years	16	$191,352.89	1.82%	$2,364,016.39	22.52%
Over 20 years	7	$874,785.47	8.33%	$596,911.08	5.68%
TOTAL	**88**	**$1,355,368.64**	**12.9%**	**$9,147,931.42**	**87.1%**

Legal and Regulatory Risk

Legal and regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards. The Kerrobert Credit Union operates in a heavily regulated environment. The credit union's structure, policies and procedures all assist in the compliance with laws and regulations. We have a staff member responsible for anti-money laundering compliance who enforces measures to combat money laundering and terrorist activity risk. We also contract outside resources to assist in this area to ensure compliance.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.

This risk is managed through the use of policies, procedures, controls and monitoring. Our contracted internal audit service inspects operational risk and reports findings directly to the Audit and Risk Committee to give an independent perspective of risk.

Other Risks

We have identified other risks from our Enterprise Risk Management process. They are as follows: Emerging risk, Human Resources risk and Reputation risk.

Emerging risk is new risks or familiar risks that become apparent in new or unfamiliar conditions. Their sources can be natural or human, and often are both. Emerging risks may include new technologies, as well as economic, societal, environmental, regulatory or political change. While some emerging trends are developing at a slow pace (like demographic changes, societal preferences or cancer research), others can be fast-changing with disruptive potential. Slow-moving emerging trends, too, may gain momentum quickly (e.g., medical breakthroughs). Kerrobert Credit Union has been no stranger to many changes over the past number of years.

Human Resource risk is any people, culture or governance factor that causes uncertainty in the business environment that could adversely affect the company's operations. Standard basic HR risks could be a shortage of qualified employees, key employee retirements and incomplete/sloppy work just to name a few.

Reputational risk is a threat or danger to the good name or standing of a business or entity. Reputational risk can occur in the following ways:

- Directly, as the result of the actions of the company itself
- Indirectly, due to the actions of an employee or employees
- Tangentially, through other peripheral parties, such as joint venture partners or suppliers

REGULATORY MATTERS

CORPORATE STRUCTURE AND GOVERNANCE

The governance of Kerrobert Credit Union is anchored in the co-operative principle of democratic member control.

Board of Directors:

Mandate and Responsibilities

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

The board is comprised of nine individuals elected by the members of the credit union. Terms are for three years. Nominations are made by the Nominating Committee, who is also responsible for finding candidates to fill any vacant positions. Voting, if required is by paper ballot and election results are announced at the annual meeting.

The board members, besides attending regular board meetings, are involved in the Audit and Risk Committee, Executive Committee, Nomination Committee and Conduct Review Committee. The Credit Committee has board representation for lending requests of the General Manager or Business Development Manager.

Name	Occupation	First Elected	Term Expires
Brennan Murphy, President	Autobody Technician	2002	2023
Ian Welter, 1st Vice	Farmer	2016	2025
Terry Welter	Farmer	2001	2025
Shannon Cholin	Farmer/Retired RN	2019	2025
Rob Wiebe	Farmer	2018	2024
Nancy Charteris	Farmer/Retired Oilfield Admin	2019	2024
Tracey Cholin	Farmer	2021	2023
Tammy Krahn	Business Owner	2021	2023

Executive Committee:

The Executive Committee acts in the capacity of, and on behalf of the board between regular and special board meetings on all board matters, except those which the board may not, in compliance with legislative requirements, delegate. The committee consists of the President, 1st Vice-President and 2nd Vice-President.

Audit and Risk Committee:

The Audit and Risk Committee oversees the financial reporting process, reviews financial statements, liaisons with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of three directors. The committee is chosen through appointment at the re-organizational meeting.

Nomination Committee:

The Nominating Committee oversees the nomination and election process for elections of credit union directors. The committee is chosen through appointment at the re-organizational meeting.

Conduct Review Committee:

The Conduct Review Committee ensures that Kerrobert Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes, and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. The committee is chosen through appointment at the re-organizational meeting.

Compensations and Attendance:

Director compensation is found in the notes to the financial statements. All directors are required to attend at least three board meetings annually. In any event, a director shall not miss more than two consecutive meetings unless excused for good cause by the board. Failure to meet attendance expectations may disqualify a director from continuing in office.

In 2022, the Board of Directors held twelve board meetings and five committee meetings. Average attendance at the regular board meetings was 78%.

Director Training:
The credit union provides the necessary opportunities for personal and professional development of directors.

The credit union will pay related tuition costs, expenses and remuneration for training and development opportunities, as outlined in the "director remuneration" policy of the credit union.

It is acknowledged that the Credit Union Director Achievement (CUDA) program and/or the Board 360 learning program is the starting point for all director development. All new directors are encouraged to enroll in this program. Individual attendance in the various modules of this program will be in accordance with the annual director development plan and budget.

Attendance at credit union system meetings, conferences, conventions, and seminars provide opportunities to support director development. Attendance by individuals at such events is encouraged and will be considered on a case by case basis by the board.

Executive Management:
The two positions that comprise the management team are: General Manager and the Business Development Manager. The General Manager is responsible for overseeing credit adjudication, financial management, strategic planning, management of strategic relationships, human resources, and general management of the credit union. The Business Development Manager is responsible for the management of the loan portfolio, collections, and the control of overdrafts.

The General Manager, Trina Duhaime, has a Bachelor of Commerce Degree and a FCUIC designation (Credit Union General Studies Program). She has more than twenty-five years' experience in the credit union system, twenty of those with the Kerrobert Credit Union. Trina continues to complete lending and business courses to enhance her knowledge and attends system meetings that involve discussion on challenges and changes in our credit union system while maintaining relationships with our peers.

Business Development Manager, Michelle Henderson, has been in her present position since January 2015. She has been in the credit union system for over sixteen years, beginning as a Member Service Representative at our Major branch. Michelle continues to take courses to enhance her knowledge in all aspects of our lending portfolio and attends lending meetings with our peers.

The Kerrobert Credit Union Management Team is responsible for managing, monitoring and controlling the credit union operations in accordance with legislation, CUDGC standards of sound business practice and board policies.

Corporate Social Responsibility (CSR):
Kerrobert Credit Union has always placed an emphasis on being a good corporate citizen in our community and providing much more than financial services. This commitment is illustrated by not only financial contributions made, but the volunteer hours our employees donate to various local organizations.

In 2022 donations, sponsorships and advertising totaled $44,264.04. Some of the donations were made to Major and Kerrobert Fire Departments, Pioneer's Haven, Courthouse Restoration Society, Kerrobert Agricultural Society, Golf Course, Communities in Bloom, Food Bank, and Festival of trees. We offered free swimming days throughout the summer months as a Sunday family fun day. We supported the Breakfast program at our Kerrobert school and attended Fruit Friday's as volunteers. We provided bursary scholarships to eligible graduating students who are furthering their education. We also have staff volunteering with the Meals on Wheels program throughout the year to give back to the community we serve. Staff volunteered over 310 hours of their own time to various organizations.

CAPITAL MANAGEMENT

Kerrobert Credit Union's management and board place a high priority on member service and currently feel the best way to maintain the existing high level of service is remaining autonomous. In order to retain control of our local credit union it is important to manage the capital position of the operation.

The Credit Union Deposit Guarantee Corporation (CUDGC) has set out minimum standards to which all Saskatchewan Credit Unions must adhere. Capital standards have escalated over the past few years. The table on the following page outlines the CUDGC Standards, Kerrobert Credit Union's Policy targets and our year end results.

CUDGC not only expects credit unions to meet these standards, but to exceed them as they are considered only minimum capital standards.

As at December 31, 2022 Kerrobert Credit Union had exceeded the CUDGC regulatory minimums and our internal capital targets.

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.

	CUDGC Standards	KCU Policy Target	KCU as of December 31, 2022
Total Eligible Capital to Risk-Weighted Assets	10.50%	13.7%	17.45%
Tier 1 Capital to Risk-Weighted Assets	8.50%	13.2%	17.12%
Common Equity Tier 1 Capital to Risk-Weighted Assets	7.00%	8.00%	17.12%
Leverage Ratio	5.00%	7.00%	10.59%

The Internal Capital Adequacy Assessment Process (ICAAP) identifies all material risks faced by the credit union and assesses the impact those risks may have on the credit union's regulatory capital. By setting aside sufficient capital to absorb the financial impact of these risks, should they occur, Kerrobert Credit Union helps ensure its long-term viability. The risks and opportunities assessed in the ICAAP process are identified through the capital adequacy reporting, Enterprise Risk Management (ERM) and Stress Testing processes. The Kerrobert Credit Union uses a template to calculate the impact the identified risks will have on capital and liquidity.

As part of the analysis process, an impact and likelihood rating is assigned to each risk and opportunity, consistent with the ERM process. Thus, each opportunity, risk and stress test achieved a severity score in the following categories: low, modest, moderate and high. Specific stress tests that are done to assess the capital or liquidity impact are: 10% increase in loans, 10% decrease in deposits, 30% increase in deposits, 2% interest rate shock & a 30% decrease in the value of residential mortgages. Reverse stress testing is also done. This identifies the financial magnitude of an event that would cause the credit union to breach regulatory and policy capital levels.

Where CUDGC determines a credit union is not in compliance with the Standards or Regulatory Guidance Documents, the Corporation may take any necessary action. Necessary action may include, but is not limited to:

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

Kerrobert Credit Union is committed to the Standards of Sound Business Practice and to the prudent operation of the credit union.

Saskatchewan Credit Union Asset Size				
	Credit Union	**Total Assets**	**Memberships**	**Locations**
1	Affinity Credit Union 2013	7,223,310,621	141,668	56
2	CONEXUS Credit Union 2006	6,759,272,242	169,194	30
3	Innovation Credit Union	3,298,970,257	62,231	25
4	Cornerstone Credit Union Financial Group Limited	1,905,187,715	37,440	15
5	Synergy Credit Union Ltd.	1,706,158,975	28,785	11
6	Prairie Centre Credit Union (2006) Ltd.	1,183,671,410	18,447	16
7	TCU Financial Group Credit Union	736,603,000	14,667	5
8	Weyburn Credit Union Limited	689,473,500	9,237	3
9	Diamond North Credit Union	637,787,206	15,732	8
10	Radius Credit Union Limited	517,969,826	5,214	7
11	Crossroads Credit Union	338,858,799	6,820	4
12	Unity Credit Union Limited	331,637,696	4,394	1
13	Accent Credit Union	288,216,195	4,467	3
14	Biggar and District Credit Union	274,012,613	4,197	3
15	Cypress Credit Union Limited	255,634,127	4,566	6
16	Churchbridge Credit Union	221,740,208	3,423	2
17	St. Gregor Credit Union, Limited	213,587,846	2,521	2
18	Raymore Credit Union	199,587,147	3,113	2
19	Foam Lake Savings and Credit Union Limited	182,083,589	3,117	1
20	Luseland Credit Union Limited	164,601,079	1,763	1
21	Dodsland and District Credit Union Limited	152,244,458	1,533	1
22	Stoughton Credit Union Limited	136,570,049	1,789	2
23	New Community Credit Union	133,144,095	2,071	1
24	Prairie Pride Credit Union	130,470,820	2,817	3
25	Bruno Savings and Credit Union Limited	109,853,579	1,575	2
26	Turtleford Credit Union Limited	105,793,187	2,061	1
27	North Valley Credit Union	105,718,477	1,557	1
28	Lafleche Credit Union Limited	101,949,282	1,756	2
29	Bengough Credit Union	96,151,373	1,891	1
30	Sandhills Credit Union	91,521,639	1,392	3
31	Saskatoon City Employees Credit Union	78,262,681	2,170	1
32	Edam Credit Union Limited	70,905,144	1,128	1
33	Kerrobert Credit Union Limited	66,006,508	1,231	2
34	Rockglen-Killdeer Credit Union Limited	46,878,760	1,182	1
35	Earl Grey Credit Union Limited	40,852,180	778	1
	Total	28,594,686,283	**565,927**	**224**

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
ANNUAL REPORT MESSAGE 2022

January 2023

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

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

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

Kerrobert Credit Union Limited
Financial Statements
December 31, 2022

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Management's Responsibility

To the Members of Kerrobert Credit Union Limited:

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

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

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

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

March 6, 2023

General Manager

To the Members of Kerrobert Credit Union Limited:

Opinion

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

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

Basis for Opinion

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

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

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

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

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

MNP LLP

119 4th Ave South, Suite 800, Saskatoon SK, S7K 5X2 1 (877) 500-0778 T: (306) 665-6766 F: (306) 665-9910

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Saskatoon, Saskatchewan

MNP LLP

March 6, 2023

Chartered Professional Accountants

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

	2022	*2021*
Assets		
Cash and cash equivalents *(Note 5)*	**10,089,248**	17,772,770
Investments *(Note 6)*	**9,425,769**	9,134,013
Member loans receivable *(Note 7)*	**44,267,816**	42,551,459
Other assets *(Note 8)*	**1,072,808**	197,604
Property, plant and equipment *(Note 9)*	**1,152,331**	1,216,078
	66,007,972	70,871,924
Liabilities		
Member deposits *(Note 11)*	**59,046,230**	65,026,057
Other liabilities *(Note 13)*	**95,927**	192,753
Membership shares *(Note 14)*	**6,155**	6,150
	59,148,312	65,224,960
Commitments *(Note 17), (Note 19)*		
Members' equity		
Retained earnings	**6,859,660**	5,646,964
	66,007,972	70,871,924

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

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

	2022	*2021*
Interest income		
Member loans	**1,711,765**	1,512,425
Investments	**1,210,643**	107,647
	2,922,408	1,620,072
Interest expense		
Member deposits	**509,171**	418,825
Borrowed money	**2,496**	1,007
	511,667	419,832
Gross financial margin	**2,410,741**	1,200,240
Other income	**123,454**	130,685
	2,534,195	1,330,925
Operating expenses		
Personnel	**526,880**	508,783
Security	**66,809**	63,156
Organizational	**25,186**	18,639
Occupancy	**138,325**	117,502
General business	**484,063**	413,205
	1,241,263	1,121,285
Income before provision for impaired loans and provision for (recovery of) income taxes	**1,292,932**	209,640
Provision for impaired loans *(Note 7)*	**40,831**	338
Income before provision for income taxes	**1,252,101**	209,302
Provision for (recovery of) income taxes *(Note 12)*		
Current	**43,654**	15,666
Deferred	**(4,249)**	2,926
	39,405	18,592
Comprehensive income	**1,212,696**	190,710

The accompanying notes are an integral part of these financial statements

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

	Retained earnings	*Total equity*
Balance December 31, 2020	**5,456,254**	**5,456,254**
Comprehensive income	**190,710**	**190,710**
Balance December 31, 2021	**5,646,964**	**5,646,964**
Comprehensive income	**1,212,696**	**1,212,696**
Balance December 31, 2022	**6,859,660**	**6,859,660**

The accompanying notes are an integral part of these financial statements

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Interest received from members loans	**1,689,873**	1,530,698
Interest and dividends received from investments	**340,000**	103,955
Other non-interest income received	**123,454**	130,685
Cash paid to suppliers and employees	**(1,373,490)**	(911,937)
Interest paid on deposits	**(539,901)**	(504,783)
Interest paid on borrowed money	**(2,496)**	(1,007)
Income taxes paid	**(4,896)**	(26,211)
	232,544	321,400
Financing activities		
Net change in member deposits	**(5,949,097)**	3,878,036
Net change in membership shares	**5**	(150)
	(5,949,092)	3,877,886
Investing activities		
Net change in investments	**(226,167)**	(8,135,529)
Net change in members loans receivable	**(1,735,296)**	(1,468,435)
Purchases of property, plant and equipment	**(5,511)**	(15,730)
	(1,966,974)	(9,619,694)
Decrease in cash and cash equivalents	**(7,683,522)**	(5,420,408)
Cash and cash equivalents, beginning of year	**17,772,770**	23,193,178
Cash and cash equivalents, end of year	**10,089,248**	17,772,770

1. Reporting entity

Kerrobert Credit Union Limited (the "Credit Union") was formed pursuant to the Credit Union Act 1998 of Saskatchewan ("the Act") and operates two Credit Union branches.

The Credit Union serves members and non-members in Major and Kerrobert, Saskatchewan and the surrounding communities. The address of the Credit Union's registered office is 445 Atlantic Avenue, Kerrobert, Saskatchewan.

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

The Credit Union conducts its principal operations through two branches, 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors and authorized for issue on March 6, 2023.

2. Change in accounting policies

Standards and Interpretations effective in the current period

The Credit Union adopted amendments to the following standards, effective January 1, 2022. Adoption of these amendments had no effect on the Credit Union's financial statements.

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

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

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

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

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

Classification of financial assets

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

Key assumptions in determining the allowance for expected credit losses

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

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

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

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

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

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

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

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

Fair value of unquoted equity instruments

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

Impairment of non-financial assets

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

Income taxes

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

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax 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 contained in Note 12.

Useful lives of property, plant and equipment

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

4. Summary of significant accounting policies

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

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

Foreign currency translation

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

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

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

Revenue recognition

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

Service charge fees, commission and other revenue

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

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

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

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

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

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Debt instruments are classified as follows:

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

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.

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

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss include cash.
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

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

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

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

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

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

Refer to Note 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.

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

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

Financial liabilities

Recognition and initial measurement

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

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Dividend income

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

Interest

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

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

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

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

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

Offsetting

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

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

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

Collateral

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

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

Cash and cash equivalents

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

Investments

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

SaskCentral and Concentra Bank deposits and shares

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

Impairment of non-financial assets

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

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

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

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

Syndication

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

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

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 declining balance over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use.

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

	Method	*Rate*
Buildings	declining balance	4 %
Computer hardware	declining balance	30 %
Computer software	declining balance	100 %
Furniture and equipment	declining balance	20 %

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

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

Income taxes

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

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

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

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

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

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

Leases

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases and low value leases. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of $5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

Employee benefits

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

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

Employee benefits *(Continued from previous page)*

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $31,236 (2021 – $30,754) were paid to the defined contribution retirement plan during the year.

Membership shares

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

Standards issued but not yet effective

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

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

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

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

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

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

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

5. Cash and cash equivalents

	2022	*2021*
Cash	**837,698**	1,768,780
Cash equivalents	**9,251,550**	16,003,990
	10,089,248	17,772,770

6. Investments

	2022	*2021*
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	**8,627,950**	8,475,510
Measured at fair value through profit or loss		
SaskCentral shares	**453,673**	515,000
Other equity investments	**270,583**	135,529
	9,352,206	9,126,039
Accrued interest	**73,563**	7,974
Total	**9,425,769**	9,134,013

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

	2022	*2021*
Investment portfolio rating		
R1	**5,081,623**	515,000
BBB	**4,000,000**	-
Unrated	**270,583**	135,529
	9,352,206	650,529

In 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.

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	**Allowance for expected credit losses**	**Net carrying value**
Agricultural loans	17,555,108	52,621	**17,502,487**
Commercial loans	10,361,961	67,204	**10,294,757**
Consumer loans and lines of credit	1,720,241	425	**1,719,816**
Local government loans	2,632,802	308	**2,632,494**
Residential mortgages	11,856,943	4,063	**11,852,880**
	44,127,055	124,621	**44,002,434**
Foreclosed assets	123,072	-	**123,072**
Accrued interest	142,310	-	**142,310**
Total	44,392,437	124,621	**44,267,816**

			2021
	Principal performing	Allowance for expected credit losses	Net carrying value
Agricultural loans	18,042,237	54,640	17,987,597
Commercial loans	11,565,389	23,767	11,541,622
Consumer loans and lines of credit	1,961,581	236	1,961,345
Local government loans	386,292	177	386,115
Residential mortgages	10,559,643	5,281	10,554,362
	42,515,142	84,101	42,431,041
Accrued interest	120,418	-	120,418
Total	42,635,560	84,101	42,551,459

The allowance for loan impairment changed as follows:

	2022	*2021*
Balance, beginning of year	**84,101**	84,101
Provision for impaired loans	**40,831**	338
	124,932	84,439
Less: accounts written off, net of recoveries	**311**	338
Balance, end of year	**124,621**	84,101

8. Other assets

	2022	2021
Accounts receivable	**1,064,850**	166,154
Corporate income tax recoverable	**-**	10,770
Prepaid expenses and deposits	**7,855**	20,680
Deferred tax asset	**103**	-
	1,072,808	197,604

9. Property, plant and equipment

	Land	*Buildings*	*Computer hardware*	*Computer software*	*Furniture and equipment*	*Total*
Cost						
Balance at December 31, 2020	72,017	1,455,638	35,017	46,767	163,341	1,772,780
Additions	-	-	-	15,730	-	15,730
Balance at December 31, 2021	72,017	1,455,638	35,017	62,497	163,341	1,788,510
Additions	**-**	**-**	**5,511**	**-**	**-**	**5,511**
Balance at December 31, 2022	**72,017**	**1,455,638**	**40,528**	**62,497**	**163,341**	**1,794,021**
Accumulated depreciation						
Balance at December 31, 2020	-	315,542	16,048	46,767	137,641	515,998
Depreciation	-	45,604	5,690	-	5,140	56,434
Balance at December 31, 2021	-	361,146	21,738	46,767	142,781	572,432
Depreciation	**-**	**43,779**	**5,637**	**15,730**	**4,112**	**69,258**
Balance at December 31, 2022	**-**	**404,925**	**27,375**	**62,497**	**146,893**	**641,690**
Net book value						
At December 31, 2021	72,017	1,094,492	13,279	15,730	20,560	1,216,078
At December 31, 2022	**72,017**	**1,050,713**	**13,153**	**-**	**16,448**	**1,152,331**

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 $1,400,000 (2021 - $755,000) 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*
Chequing, savings, plan 24	**41,274,905**	44,095,236
Registered savings plans	**3,913,386**	3,680,059
Term deposits	**13,697,451**	17,059,544
Accrued interest	**160,488**	191,218
	59,046,230	65,026,057

Member deposits are subject to the following terms:

- Chequing, savings and plan 24 products are payable on demand and bear interest at rates up to 4.7% (2021 - 0.7%).
- Registered savings plans are subject to fixed and variable rates of interest up to 4.8% (2021 - 1.3%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 4.7% (2021 - 1.2%), with interest payments due monthly, annually or on maturity.

12. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 9% (2021 - 9%) and the provincial tax rate of 0% (2021 - 0%).

Deferred tax expense (recovery) recognized in comprehensive income

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

	2022	*2021*
Deferred tax liability		
Property, plant and equipment	**(13,605)**	(13,397)
Deferred tax asset		
Allowance for impaired loans	**13,708**	9,251
Net deferred tax asset (liability)	**103**	(4,146)
Net deferred tax asset (liability) is reflected in the statement of financial position as follows:		
Deferred tax asset (liability)	**103**	(4,146)

Reconciliation between average effective tax rate and the applicable tax rate

	2022	*2021*
Applicable tax rate	**27.00 %**	27.00 %
Small business deduction	**(18.00)%**	(18.00)%
Non-taxable dividends	**(5.77)%**	(0.12)%
Non-taxable other items	**(0.08)%**	- %
Average effective tax rate (tax expense divided by profit before tax)	**3.15 %**	8.88 %

12. Income tax *(Continued from previous page)*

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

13. Other liabilities

	2022	2021
Accounts payable	**67,939**	188,607
Corporate income tax payable	**27,988**	-
Deferred tax liability	**-**	4,146
	95,927	192,753

14. Membership shares

Authorized:

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

Issued:

	2022	2021
1,231 Common shares (2021 - 1,230)	**6,155**	6,150

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 44 (2021 - 37) and redeemed 43 (2021 - 67) common shares.

15. Related party transactions

Key management compensation of the Credit Union

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

	2022	2021
Salaries and short-term benefits	**225,920**	200,820
Other long-term benefits	**18,358**	16,955
Total remuneration	**244,278**	217,775

Transactions with key management personnel

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

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

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

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

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

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

	2022	2021
Aggregate loans to KMP	**1,389,840**	1,808,913
Aggregate revolving credit facilities to KMP	**753,550**	801,050
Less: approved and undrawn lines of credit	**(731,225)**	(741,961)
	1,412,165	1,868,002

	2022	2021
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Revolving credit	-	25,000
Loans	-	887,257
	-	912,257

	2022	2021
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**61,814**	40,131
Interest paid on deposits to KMP	**9,161**	8,434

	2022	2021
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**1,967,641**	2,580,800
Term deposits	-	227,813
Registered plans	**119,270**	116,044
Total value of member deposits due to KMP	**2,086,911**	2,924,657

Directors' fees and expenses

	2022	2021
Directors' expenses	**1,582**	1,073

SaskCentral and Concentra Bank

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

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

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

Interest and dividends earned on investments during the year ended December 31, 2022 amounted to $1,199,997 (2021 - $106,616) of which $802,054 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 $2,496 (2021 - $1,007).

Payments made for affiliation dues for the year ended December 31, 2022 amounted to $4,018 (2021 - $3,326).

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.

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.

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

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	Board limits
Total eligible capital to risk-weighted assets	10.50 %	13.70 %
Total tier 1 capital to risk-weighted assets	8.50 %	13.20 %
Common equity tier 1 capital to risk-weighted assets	7.00 %	8.00 %
Leverage ratio	5.00 %	7.00 %

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

The following table summarizes key capital information:

	2022	2021
Eligible capital		
Total tier 1 capital	**6,859,660**	5,631,234
Total tier 2 capital	**130,776**	90,251
Total eligible capital	**6,990,436**	5,721,485
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**17.45 %**	14.60 %
Total tier 1 capital to risk-weighted assets	**17.12 %**	14.37 %
Common equity tier 1 capital to risk-weighted assets	**17.12 %**	14.37 %
Leverage ratio	**10.59 %**	8.06 %

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.

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

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

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

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

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

Credit risk

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

Risk management process

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

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

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

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

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

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

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

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

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

	2022	2021
Unadvanced lines of credit	**4,407,629**	6,410,948
Guarantees and standby letters of credit	**20,000**	25,000
Commitments to extend credit	-	100,000
	4,427,629	6,535,948

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

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

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

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

Measurement of expected credit losses

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, provincial housing starts, national interest rates, national GDP growth, and national oil prices. Each factor is forecast in a base case, a best case and a worst case scenario. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses. Key assumptions of the simulations are lingering effects of COVID-19, including increasing interest rates, inflationary pressures, the quality of credit, and the borrower's future ability to service debt. These assumptions were shocked up and down 10-30% in the best and worst case scenario.

The weighting used in the model is 50% base, 10% best and 40% worst case, as the base case is historically the most likely scenario. The December 31, 2022 modelling is based on these weightings.

Write-offs

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

Exposure to credit risk

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

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

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

	2022		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Total*
Consumer loans and lines of credit			
Low risk	1,720,241	-	1,720,241
Total gross carrying amount	1,720,241	-	1,720,241
Less: loss allowance	425	-	425
Total carrying amount	1,719,816	-	1,719,816
Residential mortgages			
Low risk	11,856,943	-	11,856,943
Total gross carrying amount	11,856,943	-	11,856,943
Less: loss allowance	4,063	-	4,063
Total carrying amount	11,852,880	-	11,852,880
Commercial loans			
Low risk	10,361,961	-	10,361,961
Total gross carrying amount	10,361,961	-	10,361,961
Less: loss allowance	67,204	-	67,204
Total carrying amount	10,294,757	-	10,294,757
Agricultural loans			
Low risk	17,555,108	-	17,555,108
Total gross carrying amount	17,555,108	-	17,555,108
Less: loss allowance	52,621	-	52,621
Total carrying amount	17,502,487	-	17,502,487
Local government loans			
Low risk	2,632,802	-	2,632,802
Total gross carrying amount	2,632,802	-	2,632,802
Less: loss allowance	308	-	308
Total carrying amount	2,632,494	-	2,632,494
Total			
Low risk	44,127,055	-	44,127,055
Total gross carrying amount	44,127,055	-	44,127,055
Less: loss allowance	124,621	-	124,621
Total carrying amount	44,002,434	-	44,002,434

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

	12-month ECL	2021 Lifetime ECL (not credit impaired)	Total
Consumer loans and lines of credit			
Low risk	1,961,581	-	1,961,581
Total gross carrying amount	1,961,581	-	1,961,581
Less: loss allowance	236	-	236
Total carrying amount	1,961,345	-	1,961,345
Residential mortgages			
Low risk	10,384,393	-	10,384,393
Moderate risk	-	175,250	175,250
Total gross carrying amount	10,384,393	175,250	10,559,643
Less: loss allowance	5,239	42	5,281
Total carrying amount	10,379,154	175,208	10,554,362
Commercial loans			
Low risk	11,565,389	-	11,565,389
Total gross carrying amount	11,565,389	-	11,565,389
Less: loss allowance	23,767	-	23,767
Total carrying amount	11,541,622	-	11,541,622
Agriculture loans			
Low risk	17,845,106	-	17,845,106
Moderate risk	-	197,131	197,131
Total gross carrying amount	17,845,106	197,131	18,042,237
Less: loss allowance	52,054	2,586	54,640
Total carrying amount	17,793,052	194,545	17,987,597
Local government loans			
Low risk	386,292	-	386,292
Total gross carrying amount	386,292	-	386,292
Less: loss allowance	177	-	177
Total carrying amount	386,115	-	386,115
Total			
Low risk	42,142,761	-	42,142,761
Moderate risk	-	372,381	372,381
Total gross carrying amount	42,142,761	372,381	42,515,142
Less: loss allowance	81,473	2,628	84,101
Total carrying amount	42,061,288	369,753	42,431,041

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 Kerrobert, Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Total*
Consumer loans and lines of credit			
Balance at January 1, 2021	276	-	276
Net remeasurement of loss allowance	(40)	-	(40)
Balance at December 31, 2021	236	-	236
Net remeasurement of loss allowance	189	-	189
Balance at December 31, 2022	425	-	425
Residential mortgages			
Balance at January 1, 2021	888	38	926
Net remeasurement of loss allowance	4,351	4	4,355
Balance at December 31, 2021	5,239	42	5,281
Net remeasurement of loss allowance	(1,176)	(42)	(1,218)
Balance at December 31, 2022	4,063	-	4,063
Commercial loans			
Balance at January 1, 2021	1,690	2,829	4,519
Net remeasurement of loss allowance	22,077	(2,829)	19,248
Balance at December 31, 2021	23,767	-	23,767
Net remeasurement of loss allowance	43,437	-	43,437
Balance at December 31, 2022	67,204	-	67,204
Agricultural loans			
Balance at January 1, 2021	73,085	4,916	78,001
Net remeasurement of loss allowance	(21,031)	(2,330)	(23,361)
Balance at December 31, 2021	52,054	2,586	54,640
Net remeasurement of loss allowance	567	(2,586)	(2,019)
Balance at December 31, 2022	52,621	-	52,621
Local government loans			
Balance at January 1, 2021	379	-	379
Net remeasurement of loss allowance	(202)	-	(202)
Balance at December 31, 2021	177	-	177
Net remeasurement of loss allowance	131	-	131
Balance at December 31, 2022	308	-	308

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

	12-month ECL	Lifetime ECL (not credit impaired)	Total
Total			
Balance at January 1, 2021	76,318	7,783	84,101
Net remeasurement of loss allowance	5,155	(5,155)	-
Balance at December 31, 2021	81,473	2,628	84,101
Net remeasurement of loss allowance	43,148	(2,628)	40,520
Balance at December 31, 2022	124,621	-	124,621

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 for these balances.

Market risk

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

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

Risk measurement

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

Objectives, policies and processes

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

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

Interest rate risk

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

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

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

Sensitivity analysis is used to assess the change in value of the Credit Union's financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net interest margin by $48,044 (2021 - $42,683) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by $48,044 (2021 - $42,683) over the next 12 months.

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

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

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

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

Interest rate sensitivity

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

Contractual repricing and maturity

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

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

	(In thousands)						
						2022	*2021*
	On demand	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Non-Interest Sensitive***	***Total***	*Total*
Assets							
Cash and cash equivalents	6,252	3,000	-	-	837	**10,089**	17,773
Average yield %	*4.13*	*3.03*	-	-	-	*3.84*	*0.26*
Investments	250	6,424	2,000	678	74	**9,426**	9,134
Average yield %	*4.13*	*3.03*	*4.00*	*2.10*	-	*3.17*	*0.64*
Member loans receivable	5,479	2,174	12,511	23,839	265	**44,268**	42,551
Average yield %	*7.69*	*3.89*	*3.90*	*3.89*	-	*4.34*	*3.74*
Accounts receivable	-	-	-	-	1,065	**1,065**	166
	11,981	**11,598**	**14,511**	**24,517**	**2,241**	**64,848**	69,624
Liabilities							
Member deposits	26,751	3,294	8,599	5,519	14,883	**59,046**	65,026
Average yield %	*1.81*	*1.40*	*2.41*	*2.32*	-	*1.47*	*0.59*
Accounts payable	-	-	-	-	68	**68**	189
Membership shares	-	-	-	-	6	**6**	6
	26,751	**3,294**	**8,599**	**5,519**	**14,957**	**59,120**	65,221
Net sensitivity	**(14,770)**	**8,304**	**5,912**	**18,998**	**(12,716)**	**5,728**	4,403

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;
- Maintenance of a pool of high quality liquid assets;
- Monitoring of single deposits and sources of deposits;
- Monitoring of term deposits; and
- Contingency planning.

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

Liquidity risk *(Continued from previous page)*

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

The following table details contractual maturities of financial liabilities:

As at December 31, 2022:

(In thousands)

	< 1 year	1-2 years	> 3 years	Total
Member deposits	**53,527**	**3,620**	**1,899**	**59,046**
Accounts payable	**68**	**-**	**-**	**68**
Membership shares	**-**	**-**	**6**	**6**
Total	**53,595**	**3,620**	**1,905**	**59,120**

As at December 31, 2021:

(In thousands)

	< 1 year	1-2 years	> 3 years	Total
Member deposits	58,664	3,840	2,522	65,026
Accounts payable	189	-	-	189
Membership shares	-	-	6	6
Total	58,853	3,840	2,528	65,221

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

As at December 31, 2022:

(In thousands)

	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	**10,089**	**-**	**-**	**10,089**
Investments	**8,748**	**678**	**-**	**9,426**
Member loans receivable	**20,429**	**13,596**	**10,243**	**44,268**
Accounts receivable	**1,065**	**-**	**-**	**1,065**
Total	**40,331**	**14,274**	**10,243**	**64,848**

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

Liquidity risk *(Continued from previous page)*

As at December 31, 2021:

	(In thousands)			
	< 1 year	1-2 years	> 3 years	Total
Cash and cash equivalents	17,773	-	-	17,773
Investments	4,134	-	5,000	9,134
Member loans receivable	17,491	12,800	12,260	42,551
Accounts receivable	166	-	-	166
Total	39,564	12,800	17,260	69,624

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.

18. Fair value measurements

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

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

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

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 the net present value valuation techniques and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

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

Financial assets and financial liabilities measured at fair value

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

(In thousands)	***Fair value***	***Level 1***	***Level 2***	***2022 Level 3***
Financial assets				
Cash	**837**	**837**	**-**	**-**
SaskCentral shares	**454**	**-**	**-**	**454**
Other equity investments	**271**	**-**	**271**	**-**
Total financial assets	**1,562**	**837**	**271**	**454**

(In thousands)	*Fair value*	*Level 1*	*Level 2*	*2021 Level 3*
Financial assets				
Cash	1,769	1,769	-	-
SaskCentral shares	515	-	-	515
Other equity investments	136	-	136	-
Total financial assets	2,420	1,769	136	515

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.

Financial instruments not measured at fair value

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

(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***2022 Level 3***
Financial assets measured at amortized cost					
Cash equivalents	**9,252**	**9,252**	**9,252**	**-**	**-**
Investments	**8,702**	**8,670**	**-**	**8,670**	**-**
Member loans receivable	**44,268**	**43,029**	**-**	**43,029**	**-**
Accounts receivable	**1,065**	**1,065**	**-**	**1,065**	**-**
Total financial assets	**63,287**	**62,016**	**9,252**	**52,764**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**59,046**	**58,952**	**-**	**58,952**	**-**
Accounts payable	**68**	**68**	**-**	**68**	**-**
Membership shares	**6**	**6**	**-**	**-**	**6**
Total financial liabilities	**59,120**	**59,026**	**-**	**59,020**	**6**

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

(In thousands)	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*2021 Level 3*
Financial assets measured at amortized cost					
Cash equivalents	16,004	16,004	16,004	-	-
Investments	8,483	8,515	-	8,515	-
Member loans receivable	42,551	42,542	-	42,542	-
Accounts receivable	166	166	-	166	-
Total financial assets	67,204	67,227	16,004	51,223	-
Financial liabilities measured at amortized cost					
Member deposits	65,026	65,266	-	65,266	-
Accounts payable	189	189	-	189	-
Membership shares	6	6	-	-	6
Total financial liabilities	65,221	65,461	-	65,455	6

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.

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 $45,032 (2021 - $47,862) and recorded as an expense. The annual estimated fee for the year ended December 31, 2023 is $47,996 (2022 - $45,032).

In 2021, the Credit Union entered into an agreement to purchase units in the MDL Real Estate Investment Fund. The Credit Union makes advances to the Fund when requested which decreases the remaining commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2022 the Credit Union has advanced $250,583 (2021 - $135,529) of their total commitment of $500,000 (2021 - $500,000) to the MDL Real Estate Investment Fund.

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. In June 2020, eligibility for the CEBA loan program was expanded to include businesses that did not meet the payroll requirements of the initial program but had other eligible non-deferrable expenses. Under the CEBA Program, eligible businesses receive a $60,000 interest-free loan until December 31, 2023. If $40,000 is repaid on or before December 31, 2023, the remaining amount of the loan is eligible for complete forgiveness. If the loan is not repaid by December 31, 2023, it will be extended for an additional 2-year term bearing an interest rate of 5% per annum.

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

Loans issued under the program are not recognized on the Credit Union's statement of financial position, as the Credit Union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. As of December 31, 2022, the Credit Union had provided approximately 26 (2021 - 32) members with CEBA loans and had funded approximately $1,324,000 (2021 - $1,586,200) in loans under the program.