Raymore Credit Union

Financial Statements

December 31, 2024

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Management's Responsibility

To the Members of Raymore Credit Union:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board. 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 Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, internal auditors, and external auditors. 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 13, 2025

General Manager

Independent Auditor's Report

To the Members of Raymore Credit Union:

Opinion

We have audited the financial statements of Raymore Credit Union (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

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 IFRS® Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

MNP LLP

Regina, Saskatchewan

March 13, 2025

Chartered Professional Accountants

Statement of Financial Position

As at December 31, 2024

	2024 $	2023 $
Assets		
Cash and cash equivalents *(Note 4)*	**7,691,783**	2,656,291
Investments *(Note 5)*	**70,791,983**	58,692,030
Member loans receivable *(Note 6)*	**160,747,279**	154,217,621
Other assets *(Note 7)*	**347,957**	333,828
Property and equipment *(Note 8)*	**489,219**	579,449
Income taxes recoverable	**49,926**	-
	240,118,147	216,479,219
Liabilities		
Member deposits *(Note 10)*	**211,764,014**	191,584,304
Income taxes payable	**-**	98,263
Other liabilities *(Note 11)*	**2,832,052**	1,932,991
Membership shares and equity accounts *(Note 13)*	**2,435,094**	1,952,842
	217,031,160	195,568,400

Commitments *(Note 19)*

Members' equity		
Retained earnings	**23,086,987**	20,910,819
	240,118,147	216,479,219

Approved on behalf of the Board

Director

Director

Raymore Credit Union
Statement of Comprehensive Income
For the year ended December 31, 2024

	2024 **$**	*2023* *$*
Interest income		
Member loans	**9,217,312**	8,252,743
Investments	**3,252,241**	2,420,995
	12,469,553	10,673,738
Interest expense		
Member deposits	**5,234,997**	4,264,071
Borrowed money	**14,999**	18,907
	5,249,996	4,282,978
Gross financial margin	**7,219,557**	6,390,760
Other income	**978,038**	1,003,894
	8,197,595	7,394,654
Operating expenses		
Personnel	**2,078,184**	1,949,506
Administration	**1,743,736**	1,122,611
Occupancy	**222,550**	281,319
Member security	**198,917**	184,906
Organizational	**55,126**	60,619
	4,298,513	3,598,961
Income before provision for impaired loans, patronage refund, and provision for (recovery of) income taxes	**3,899,082**	3,795,693
(Recovery of) provision for impaired loans *(Note 6)*	**(21,770)**	89,480
Patronage refund *(Note 14)*	**1,000,000**	1,000,000
Income before provision for (recovery of) income taxes	**2,920,852**	2,706,213
Provision for (recovery of) income taxes *(Note 12)*		
Current	**762,567**	824,573
Deferred	**(17,883)**	(81,441)
	744,684	743,132
Comprehensive income	**2,176,168**	1,963,081

The accompanying notes are an integral part of these financial statements

Raymore Credit Union
Statement of Changes in Members' Equity
For the year ended December 31, 2024

	Retained earnings	*Total members' equity*
Balance December 31, 2022	**18,947,738**	**18,947,738**
Comprehensive income	**1,963,081**	**1,963,081**
Balance December 31, 2023	**20,910,819**	**20,910,819**
Comprehensive income	**2,176,168**	**2,176,168**
Balance December 31, 2024	**23,086,987**	**23,086,987**

Raymore Credit Union
Statement of Cash Flows
For the year ended December 31, 2024

	2024 ***$***	*2023* *$*
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	**9,058,954**	8,268,197
Interest and dividends received from investments	**2,642,005**	4,299,369
Other non-interest income received	**978,038**	1,003,894
Net change in member deposits	**19,759,624**	14,896,684
Net change in member loans receivable	**(6,345,530)**	(12,092,173)
Payments to suppliers and employees	**(3,729,704)**	(4,442,749)
Interest paid on deposits	**(4,814,911)**	(3,339,793)
Interest paid on borrowed money	**(14,999)**	(18,907)
Income taxes paid	**(910,756)**	(969,809)
	16,622,721	7,604,713
Financing activities		
Net change in membership shares and equity accounts	**(17,748)**	(23,338)
Investing activities		
Purchases of property and equipment *(Note 8)*	**(79,763)**	(212,091)
Net change in investments	**(11,489,718)**	(7,540,020)
	(11,569,481)	(7,752,111)
Increase (decrease) in cash and cash equivalents	**5,035,492**	(170,736)
Cash and cash equivalents, beginning of year	**2,656,291**	2,827,027
Cash and cash equivalents, end of year	**7,691,783**	2,656,291

1. Reporting entity

Raymore Credit Union (the “Credit Union”) was formed pursuant to the *Credit Union Act, 1998* of Saskatchewan ("SK") (“the Act”) and operates two Credit Union branches.

The Credit Union serves members and non-members in Raymore and Dysart, Saskatchewan and the surrounding communities. The address of the Credit Union’s registered office is 121 Main Street, Raymore, Saskatchewan.

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

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

Statement of compliance

The financial statements have been prepared in accordance with IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors and authorized for issue on March 13, 2025.

2. Basis of preparation

Basis of measurement

The financial statements have been prepared using the historical cost basis except for financial instruments classified as fair value through profit or loss (FVTPL).

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 income, expenses, assets and 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 prepared based on management's best knowledge of current events and actions that the Credit Union may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

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

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

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

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

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.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers 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.

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

Impairment of financial assets

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets and determining whether there has been a significant increase in credit risk since initial recognition in accordance with IFRS 9 *Financial instruments*. For more information, refer to Note 17.

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

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its SaskCentral, Concentra Bank (operating as Wyth Financial, fully redeemed in 2024) and National Consulting shares approximate its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold, and new shares are issued at par value of all currently held shares.

3. Material accounting policies

The material 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.

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 translated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in the statement of comprehensive income for the current period.

Revenue recognition

Interest income is recorded on the accrual basis based on the effective interest rate applicable to the instrument, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. The interest income is calculated by applying the effective interest rate to the gross carrying amount of the non-credit impaired financial assets. For credit-impaired financial assets the interest income is calculated by applying the effective interest rate to the amortized cost of the credit-impaired financial assets.

Other income includes service charges on products, transaction fees, other fees and commissions, which are recognized over the period the services are performed.

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.

3. Material accounting policies *(Continued from previous page)*

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 the statement of comprehensive income when incurred.

Classification and subsequent measurement

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

Financial 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 comprehensive income. Financial assets measured at amortized cost are comprised of cash and cash equivalents, SaskCentral and Concentra Bank term deposits, portfolio bonds, member loans receivable and accrued interest thereon, and accounts receivable balances.

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

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in the statement of comprehensive income. Equity investments measured at fair value through profit or loss are comprised of SaskCentral Shares, Concentra Bank preferred shares (fully redeemed in 2024), National Consulting shares and other equity investments.

Refer to Note 18 for more information about financial instruments held by the Credit Union, their measurement basis, and their carrying amount.

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.

3. Material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Impairment

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

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

The Credit Union 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 and breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules, etc. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

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

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

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

Refer to Note 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

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or when the Credit Union has transferred substantially all the risks and rewards of ownership of the assets.

Where substantially all of the risks and rewards of ownership of the financial asset are not retained or transferred, the Credit Union derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

When a financial asset is derecognized, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the derecognized asset and the value of the consideration received, including any new assets and/or liabilities recognized.

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 syndication transactions resulting in transfers qualifying for derecognition.

3. Material accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

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 comprehensive income. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

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

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance.

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 the statement of comprehensive income.

Financial liabilities are not reclassified subsequent to initial recognition.

Derecognition of financial liabilities

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

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.

3. Material accounting policies *(Continued from previous page)*

Impairment of non-financial assets

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

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

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

Syndication

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

Foreclosed assets

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

Property and equipment

Property 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 and equipment have different useful lives, they are accounted for as separate items of property and equipment.

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

	Rate
Buildings	2.5 - 5 %
Automotive	14 - 25 %
Computer equipment	20 - 33 %
Computer software	20 %
Furniture and equipment	20 %

3. Material accounting policies *(Continued from previous page)*

Property and equipment *(Continued from previous page)*

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 and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in the statement of 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 the statement of comprehensive income except to the extent that the tax is recognized either in other comprehensive income or directly in equity. Under this method, the provision for income taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

Employee benefits

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

Contributions to defined contribution plans are expensed as incurred. Pension benefits of $111,911 (2023 - $105,209) were paid to the defined contribution retirement plan during the year.

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, 2024 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.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18, issued in April 2024, replaces IAS 1 *Presentation of Financial Statements* and establishes the overall requirements for presentation and disclosures in the financial statements, including a new defined structure for the Statement of Profit or Loss and specific disclosure requirements related to management-defined performance measures. IFRS 18 also enhances guidance on how to group information within the financial statements.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, including for interim financial statements. The Credit Union is currently assessing the impact of these amendments on its financial statements.

3. Material accounting policies *(Continued from previous page)*

Membership shares and equity accounts

Membership shares and equity accounts 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*.

4. Cash and cash equivalents

	2024	*2023*
	$	*$*
Cash	**7,691,783**	2,656,291

5. Investments

	2024	*2023*
	$	*$*
Measured at amortized cost		
SaskCentral and Concentra Bank term deposits	**42,120,338**	42,748,075
Portfolio bonds	**25,351,642**	12,777,104
Accrued interest	**1,124,073**	513,837
	68,596,053	56,039,016
Measured at fair value through profit or loss		
Other equity investments	**1,655,102**	1,744,335
SaskCentral shares	**520,828**	638,679
Concentra Bank preferred shares	**-**	250,000
National Consulting shares	**20,000**	20,000
	2,195,930	2,653,014
	70,791,983	58,692,030

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

	2024	*2023*
	$	*$*
Investment portfolio rating		
AA	**21,812,027**	10,277,104
A	**3,027,826**	2,000,000
BBB	**24,000,000**	26,500,000
R1	**19,141,166**	17,636,754
Unrated	**1,686,891**	1,764,335
	69,667,910	58,178,193

SaskCentral shares are included in the R1 category above, Concentra Bank preferred shares are included in the BBB category above, and National Consulting shares are included in the Unrated category above.

5. Investments *(Continued from previous page)*

Statutory liquidity

Pursuant to Regulations, the Standards of Sound Business Practices (SSBP) require that the Credit Union maintain 8.65% (2023 - 8.65%) 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, 2024, the Credit Union met the requirement (2023 - met).

6. Member loans receivable

Principal and allowance by loan type:

					2024 $
	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Consumer loans	11,912,816	92,081	(22,975)	(40,696)	**11,941,226**
Residential mortgages	34,259,510	351,443	(198)	(48,652)	**34,562,103**
Commercial loans	20,036,551	-	-	(171,033)	**19,865,518**
Agricultural loans	92,878,849	307,405	-	(254,087)	**92,932,167**
	159,087,726	750,929	(23,173)	(514,468)	**159,301,014**
Accrued interest	1,444,840	2,714	(1,289)	-	**1,446,265**
Total	160,532,566	753,643	(24,462)	(514,468)	**160,747,279**

					2023 $
	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Consumer loans	10,679,289	120,860	(112,730)	(32,978)	10,654,441
Residential mortgages	33,354,428	-	-	(45,992)	33,308,436
Commercial loans	21,785,010	58,657	-	(225,002)	21,618,665
Agricultural loans	87,422,319	141,219	-	(210,496)	87,353,042
	153,241,046	320,736	(112,730)	(514,468)	152,934,584
Accrued interest	1,283,037	2,160	(2,160)	-	1,283,037
Total	154,524,083	322,896	(114,890)	(514,468)	154,217,621

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

The allowance for loan impairment changed as follows:

	2024 ***$***	*2023* *$*
Balance, beginning of year	**629,358**	2,051,648
(Recovery of) provision for impaired loans	**(21,770)**	89,480
	607,588	2,141,128
Less (add): accounts written off, net of recoveries	**68,658**	1,511,770
Balance, end of year	**538,930**	629,358

7. Other assets

	2024 ***$***	*2023* *$*
Accounts receivable	**36,000**	40,000
Prepaid expenses and deposits	**3,404**	3,158
Deferred tax asset	**308,553**	290,670
	347,957	333,828

8. Property and equipment

	Land ***$***	***Buildings*** ***$***	***Computer equipment*** ***$***	***Computer software*** ***$***	***Furniture and equipment*** ***$***	***Automotive*** ***$***	***Total*** ***$***
Cost							
December 31, 2022	750	1,919,274	315,510	372,062	532,088	92,720	**3,232,404**
Additions	-	-	32,039	107,673	5,678	66,701	**212,091**
Disposals	-	-	-	(66,676)	-	(56,720)	**(123,396)**
Balance at December 31, 2023	750	1,919,274	347,549	413,059	537,766	102,701	**3,321,099**
Additions	20,000	-	50,059	-	9,704	-	**79,763**
Disposals	-	-	(150,938)	(13,090)	(82,330)	-	**(246,358)**
Balance at December 31, 2024	20,750	1,919,274	246,670	399,969	465,140	102,701	**3,154,504**

8. Property and equipment *(Continued from previous page)*

	Land $	*Buildings* $	*Computer equipment* $	*Computer software* $	*Furniture and equipment* $	*Automotive* $	*Total* $
Depreciation and impairment losses							
Balance December 31, 2022	-	1,471,316	303,268	372,062	492,393	92,720	**2,731,759**
Depreciation charge for the year	-	85,297	11,418	14,955	14,668	6,950	**133,288**
Disposals	-	-	-	(66,677)	-	(56,720)	**(123,397)**
Balance at December 31, 2023	-	1,556,613	314,686	320,340	507,061	42,950	**2,741,650**
Depreciation charge for the year	-	83,624	20,032	35,891	13,771	16,675	**169,993**
Disposals	-	-	(150,938)	(13,090)	(82,330)	-	**(246,358)**
Balance at December 31, 2024	-	1,640,237	183,780	343,141	438,502	59,625	**2,665,285**
Net book value							
At December 31, 2023	750	362,661	32,863	92,719	30,705	59,751	579,449
At December 31, 2024	**20,750**	**279,037**	**62,890**	**56,828**	**26,638**	**43,076**	**489,219**

Depreciation is recorded in the statement of comprehensive income, $86,369 (2023 -$47,991) in administration expense and $83,624 (2023 - $85,297) in occupancy expense.

9. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at Sask Central's prime minus 0.5% (2023 - prime minus 0.5%) in the amount of $4,300,000 (2023 - $3,800,000) from SaskCentral. At the end of the year, the amount outstanding was $nil (2023 - $nil).

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

The Credit Union also has access to an authorized quick line of credit due on demand, with no fixed repayment date, bearing interest at Concentra's prime rate minus 1.25% (2023 - Concentra's 1 month CDOR rate plus 2.50%), in the amount of $4,000,000 (2023 - $4,000,000) from Concentra Bank. At the end of the year, the amount outstanding was $nil (2023 - $nil).

Borrowings are secured by a second charge security interest, mortgage, pledge, and charge over all of the Credit Union's present and after-acquired property; and a $4,000,000 aggregate principal amount of deposits held in Concentra including all interest and income earned from time to time thereon (2023 - secured by a second charge security interest, mortgage, pledge, and charge over all of the Credit Union's present and after-acquired property, both real and personal).

10. Member deposits

	2024 $	*2023* $
Demand deposits	**116,545,011**	106,397,251
Registered plans	**12,978,447**	12,787,365
Other deposits	**14,762,039**	13,258,143
Term deposits	**65,331,710**	57,414,823
Accrued interest	**2,146,807**	1,726,722
	211,764,014	191,584,304

Member deposits are subject to the following terms:

- Chequing, savings and Plan 24 products are due on demand and bear interest at rates up to 6.45% (2023 - 4.45%).
- Registered savings plans are subject to fixed and variable rates of interest up to 5.94% (2023 - 5.94%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 5.94% (2023 - 5.94%), with interest payments due monthly, annually or on maturity.

11. Other liabilities

	2024 $	*2023* $
Accounts payable	**2,332,052**	1,432,991
Patronage refund payable	**500,000**	500,000
	2,832,052	1,932,991

12. Income tax

Income tax expense recognized in the statement of comprehensive income

In 2024, based on the Credit Union's taxable capital, the applicable tax rate is the aggregate of the federal income tax rate of 15% (2023 - 15%), and the provincial tax rate of 12% (2023 - 12%).

Reconciliation between average effective tax rate and the applicable tax rate

	2024	*2023*
Applicable tax rate	**27.00 %**	27.00 %
Non-deductible and other items	**(1.50)%**	(0.60)%
Average taxable effective tax rate (tax expense divided by profit before tax)	**25.50 %**	26.40 %

13. Membership shares and equity accounts

Authorized:

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

Issued:

	2024	*2023*
	$	*$*
2,903 Membership shares (2023 - 2,860)	**14,515**	14,300
Equity accounts	**2,420,579**	1,938,542
Total	**2,435,094**	1,952,842

All common shares and equity accounts 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.

Equity accounts are established as a means of returning excess earnings to members and at the same time increasing the Credit Union's equity base.

During the year, the Credit Union issued 137 (2023 - 210) and redeemed 94 (2023 - 118) membership shares.

14. Patronage refund

The Board of Directors authorized a patronage refund of $1,000,000 (2023 - $1,000,000), retaining $500,000 (2023 - $500,000) in members' equity share accounts as at December 31, 2024. The patronage refund approved by the Board of Directors was based on the amount of loan interest paid and deposit interest earned by each member during the fiscal year (excluding credit cards and unauthorized overdrafts).

The patronage refund has been reflected in the statement of financial position as other liabilities with the corresponding expense in the statement of comprehensive income.

15. Related party transactions

Key management compensation of the Credit Union

Key management personnel ("KMP") of the Credit Union are the General Manager, Finance, Administration, Risk & Compliance Manager, Retail Manager, and members of the Board of Directors.

KMP remuneration includes the following expenses:

	2024	*2023*
	$	*$*
Salaries and short-term benefits	**640,009**	578,154

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.

	2024	*2023*
	$	*$*
Aggregate loans to KMP	**4,353,299**	3,983,465
The total value of revolving credit facilities to KMP	**29,417**	1,964
Less: membership shares and equity accounts	**(50,053)**	(38,713)
	4,332,663	3,946,716

	2024	*2023*
	$	*$*
During the year the aggregate value of loans approved to KMP amounted to:		
Loans	**834,688**	392,432

	2024	*2023*
	$	*$*
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**186,223**	188,872
Total interest paid on deposits to KMP	**20,898**	16,775
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**1,480,066**	1,407,331
Term deposits	**1,528**	1,496
Registered plans	**111,429**	109,043
Total value of member deposits due to KMP	**1,593,023**	1,517,870

Directors' fees and expenses

	2024	*2023*
	$	*$*
Directors' fees and committee remuneration	**32,903**	35,200
Directors' expenses	**2,899**	3,709
Meeting, training and conference costs	**6,654**	5,031

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 III framework, consistent with the financial industry in general.

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

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirements for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital includes retained earnings, contributed surplus and accumulated other comprehensive income ("AOCI").

Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own-use property. Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

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

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

The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2024:

	Regulatory standards	*Board standards (Minimum of target range)*
Total eligible capital to risk-weighted assets	**10.50 %**	**12.00 %**
Tier 1 capital to risk-weighted assets	**8.50 %**	**12.00 %**
Common equity tier 1 capital to risk-weighted assets	**7.00 %**	**12.00 %**
Leverage ratio	**5.00 %**	**6.00 %**

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

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

The following table summarizes key capital information:

Eligible capital	***2024*** **$**	*2023* $
Common equity tier 1 capital	**23,086,987**	20,910,864
Deductions from tier 1 capital	**(56,828)**	(92,719)
Total tier 1 capital	**23,030,159**	20,818,145
Total tier 2 capital	**2,949,562**	2,467,310
Total eligible capital	**25,979,721**	23,285,455
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**18.37 %**	16.94 %
Total tier 1 capital to risk-weighted assets	**16.29 %**	15.14 %
Common equity tier 1 capital to risk-weighted assets	**16.29 %**	15.14 %
Leverage ratio	**10.75 %**	10.61 %

Liquidity coverage ratio

The Credit Union has implemented 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, 2024, the Credit Union is in compliance with regulatory requirements (2023 - in compliance).

17. Financial risk management

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

17. Financial risk management *(Continued from previous page)*

- Ensure credit quality is maintained
- Ensure credit, market, and liquidity risk is maintained at acceptable levels
- Diversify risk in transactions, member relationships and loan portfolios
- Price according to risk taken, and
- Using consistent credit risk exposure tools.

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

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

Credit risk

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

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; and
  - 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, access 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.

17. Financial risk management *(Continued from previous page)*

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

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

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

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

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

	2024	*2023*
	$	*$*
Unadvanced lines of credit	**10,180,094**	8,938,025
Guarantees and standby letters of credit	**100,000**	100,000
Commitments to extend credit	**5,016,238**	4,707,536
	15,296,332	13,745,561

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. When a financial instrument is considered to have low credit risk, it is assumed that there has not been a significant increase in credit risk since initial recognition. 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.

17. Financial risk management *(Continued from previous page)*

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

Measurement of expected credit losses

The Credit Union measures expected credit losses ("ECL") 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, consumer 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, 2024. The macroeconomic factors that affect the Credit Union expected credit loss ("ECL") calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. The information for these assumptions is based off 2025 economic forecasts. 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. These assumptions were shocked up and down 10% - 30% in the best and worst case scenarios.

The typical weighting used in the model is 80% base, 10% best and 10% worst case, as the base case is historically the most likely scenario. Due to uncertainties around inflation and interest rate changes, the weightings chosen at December 31, 2024 were 50% base, 10% best and 40% worst case (2023 - 50% base, 10% best and 40% worst case).

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 they have exhausted all attempts to recover a portion of the loan, including realizing on the security, if any, and disposing of related security. Where an asset has been written off but is still subject to enforcement activity, the asset is written off but remains on a list of delinquent accounts. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

17. Financial risk management *(Continued from previous page)*

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 7 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount.

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

		2024		
	12-month ECL	***Lifetime ECL (not credit impaired)***	***Lifetime ECL (credit impaired)***	***Total***
	$	***$***	***$***	***$***
Loans and lines of credit				
Consumer	**11,557,891**	**354,925**	**92,081**	**12,004,897**
Residential	**33,795,738**	**463,772**	**351,443**	**34,610,953**
Commercial	**19,757,752**	**278,799**	**-**	**20,036,551**
Agricultural	**91,456,098**	**1,422,750**	**307,405**	**93,186,253**
Total gross carrying amount	**156,567,479**	**2,520,246**	**750,929**	**159,838,654**
Less: loss allowance	**441,094**	**46,549**	**51,287**	**538,930**
Total carrying amount	**156,126,385**	**2,473,697**	**699,642**	**159,299,724**

		2023		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
	$	*$*	*$*	*$*
Loans and lines of credit				
Consumer	10,521,714	157,575	120,860	10,800,149
Residential	32,784,110	570,318	-	33,354,428
Commercial	21,711,829	73,181	58,657	21,843,667
Agricultural	86,634,058	788,261	141,219	87,563,538
Total gross carrying amount	151,651,711	1,589,335	320,736	153,561,782
Less: loss allowance	486,678	27,790	114,890	629,358
Total carrying amount	151,165,033	1,561,545	205,846	152,932,424

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 Raymore, Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

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

The carrying amount of SaskCentral, Concentra Bank, and National Consulting and other shares, as disclosed in Note 5, best represents the Credit Union's maximum exposure to credit risk for those items. The Credit Union holds no collateral or other credit enhancements on these balances.

17. Financial risk management *(Continued from previous page)*

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.

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. 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 (2023 - increase) net interest income by $333,200 (2023 - $372,000) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease (2023 - decrease) net interest income by $267,300 (2023 - $326,100) 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.

17. Financial risk management *(Continued from previous page)*

Interest rate risk *(Continued from previous page)*

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

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

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

Interest rate sensitivity

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

Contractual repricing and maturity

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

(In thousands $)

						2024	*2023*
	On demand	***Within 3 months***	***Over 3 months to 1 year***	***Over 1 year***	***Non-Interest Sensitive***	***Total***	*Total*
Assets							
Cash and cash equivalents	5,360	-	-	-	2,332	**7,692**	2,656
Average yield %	*3.23*	-	-	-	-	*2.25*	*0.58*
Accounts receivable	-	-	-	-	36	**36**	40
Investments	12,175	6,600	14,629	35,758	1,630	**70,792**	58,692
Average yield %	*3.03*	*4.01*	*4.73*	*4.05*	-	*3.92*	*3.60*
Members' loans receivable	43,987	2,687	23,021	89,602	1,450	**160,747**	154,217
Average yield %	*6.77*	*5.53*	*5.95*	*5.02*	-	*5.59*	*5.72*
Subtotal	**61,522**	**9,287**	**37,650**	**125,360**	**5,448**	**239,267**	215,605
Liabilities							
Member deposits	126,543	11,222	26,337	45,513	2,149	**211,764**	191,585
Average yield %	*1.39*	*4.44*	*4.04*	*4.34*	-	*2.50*	*2.34*
Other liabilities	-	-	-	-	2,832	**2,832**	1,933
Membership shares and equity accounts	-	-	-	-	2,435	**2,435**	1,953
Subtotal	**126,543**	**11,222**	**26,337**	**45,513**	**7,416**	**217,031**	195,471
Net sensitivity	**(65,021)**	**(1,935)**	**11,313**	**79,847**	**(1,968)**	**22,236**	20,134

17. Financial risk management *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Credit Union cannot meet a demand for cash or fund its obligations as they come due. The Credit Union's management oversees the Credit Union's liquidity risk to ensure the Credit Union has access to enough readily available funds to cover its financial obligations as they come due. The Credit Union's business requires such liquidity for operating and regulatory purposes. Refer to Note 5 for further information about the Credit Union's regulatory requirements.

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

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

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

The primary liquidity risk policies and procedures include the following:

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

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, 2024:

(In thousands $)

	< 1 year	1-2 years	> 3 years	Total
Member deposits	**166,251**	**12,221**	**33,292**	**211,764**
Other liabilities	**2,832**	**-**	**-**	**2,832**
Membership shares and equity	**2,435**	**-**	**-**	**2,435**
Total	**171,518**	**12,221**	**33,292**	**217,031**

17. Financial risk management *(Continued from previous page)*

As at December 31, 2023:

(In thousands $)

	< 1 year	1-2 years	> 3 years	Total
Member deposits	150,283	13,348	27,953	191,584
Other liabilities	1,933	-	-	1,933
Membership shares and equity	1,953	-	-	1,953
Total	154,169	13,348	27,953	195,470

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 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 technique. The Credit Union uses assumptions and estimates in determining 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***	***2024 Level 3***
	$	**$**	**$**	**$**
Financial assets				
Other equity investments	**1,655**	**-**	**-**	**1,655**
SaskCentral shares	**521**	**-**	**-**	**521**
National Consulting shares	**20**	**-**	**-**	**20**
Total financial assets	**2,196**	**-**	**-**	**2,196**

In thousands	*Fair value*	*Level 1*	*Level 2*	*2023 Level 3*
Financial assets				
Other equity investments	1,744	-	-	1,744
Concentra Bank preferred shares	250	-	-	250
SaskCentral shares	639	-	-	639
National Consulting shares	20	-	-	20
Total financial assets	2,653	-	-	2,653

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

The following table summarizes the change in Level 3 assets recorded at fair value for the year ended December 31:

in thousands	**2024**	2023
	$	$
Balance, beginning of year	**2,653**	3,492
Unrealized gains (losses) recorded in income	**(73)**	(164)
Sales / settlements	**(384)**	(675)
Balance, end of year	**2,196**	2,653

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

Financial instruments not measured at fair value

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

					2024
In thousands	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***Level 3***
	$	**$**	**$**	**$**	**$**
Financial assets measured at amortized cost					
Cash and cash equivalents	**7,692**	**7,692**	**7,692**	**-**	**-**
Investments	**68,596**	**69,342**	**-**	**69,342**	**-**
Member loans receivable	**160,747**	**159,815**	**-**	**159,815**	**-**
Total financial assets	**237,035**	**236,849**	**7,692**	**229,157**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**211,764**	**213,390**	**-**	**213,390**	**-**
Other liabilities	**2,832**	**2,832**	**-**	**2,832**	**-**
Membership shares and equity accounts	**2,435**	**2,435**	**-**	**-**	**2,435**
Total financial liabilities	**217,031**	**218,657**	**-**	**216,222**	**2,435**

					2023
In thousands	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*Level 3*
	$	$	$	$	$
Financial assets measured at amortized cost					
Cash and cash equivalents	2,656	2,656	2,656	-	-
Investments	56,039	55,590	-	55,590	-
Member loans receivable	154,218	150,608	-	150,608	-
Total financial assets	212,913	208,854	2,656	206,198	-
Financial liabilities measured at amortized cost					
Member deposits	191,584	191,941	-	191,941	-
Other liabilities	1,933	1,933	-	1,933	-
Membership shares and equity accounts	1,953	1,953	-	-	1,953
Total financial liabilities	195,470	195,827	-	193,874	1,953

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

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

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

Cash and cash equivalents, accounts receivable, other liabilities, membership shares and equity accounts are all short-term in nature and as such, their carrying values are assumed to approximate fair value. The fair value of investments is determined by using market comparable prices based on quoted prices by third parties.

The fair value of variable interest rate loans that reprice frequently is assumed to be approximated by carrying values. For all other loans, the fair value is estimated using discounted cash flow calculations at market interest rates for groups of loans with similar terms and credit risk.

The fair value of deposits with variable interest rates or which are due on demand, is assumed to be approximated by the carrying value. For all other deposits, fair value is estimated using a discounted cash flow calculation based on current market interest rates for similar deposit offerings.

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 as a percentage of the aggregate fees paid by all Credit Unions using the banking system. The agreement was amended in 2024 to be assigned from Celero to CDSL Canada Limited, and the term was extended to 2029. The annual operating fees for the year ended December 31, 2024 were $123,701 (2023 - $116,811) and recognized as an expense. The annual estimated operating fee to December 31, 2025 is $128,447.

In 2023, the Credit Union entered into a three year commitment with Brightside Consulting for internal audit services. In 2023 and 2024, the commitment was $20,000 and $15,500. In 2025 the total commitment will be $20,000 and will be recorded as an expense.

In 2023, the Credit Union entered into a five year commitment with Bank BI for software services. The commitment will be $35,200 annually, plus annual increases based on the Canadian Consumer Price Indix (CPI). The commitment will be recognized as an expense.

20. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.