RADIUS CREDIT UNION

2022 Annual REPORT

growing together

VISION

At Radius Credit Union, our vision is to work together to strengthen our communities and provide the best options to meet your financial needs.

Our rural, community focused credit union is a financially strong and viable financial service provider.

We build relationships by providing financial solutions and supporting our communities.

MISSION STATEMENT

VALUES

COMMUNITY

- We support community events and projects as well as promoting community development
- Our communities are stronger because of our credit union
- Our staff and board exhibit leadership by direct involvement in community organizations

FINANCIAL STABILITY

- We make sound financial decisions to ensure long-term success and benefits to our members and communities
- We balance the need for strong financial performance with the needs of our members and communities

EMPLOYEE ENGAGEMENT

- We respect our employees and their contributions to our success
- We support development, providing education and enhancing co-operation to support leadership
- We respect our employees' need to balance their personal and professional lives

CO-OPERATION

- We co-operate with other organizations and the credit union system for our mutual benefit
- We are guided by the co-operative principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, continuous education, cooperation amongst cooperatives and concern for community. These principles set us apart in the financial industry.

SERVICE EXCELLENCE

- We are committed to providing the highest quality service that enhances our value to our members
- We provide financial solutions that meet members needs

Co-operative Principles

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

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

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

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

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

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

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

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

Annual General Meeting Agenda

Location: Radville Catholic Church

Date: Tuesday April 18, 2023

Agenda details:

1. Call the meeting to order
2. Confirmation of Quorum & Notice of Meeting
3. Appointment of Secretary
4. Approval of Agenda
5. Minutes of 2021 Annual General Meeting
6. Annual Report
7. Nomination Committee Report
8. Audit Committee Report and Appointment of Auditors
9. Auditors Report and Financial Statement
10. New or Other Business
    a. Bylaw Update
    b. Service Awards
    c. Other/New Business
11. Adjournment of the Business Meeting

RADIUS CREDIT UNION

Minutes of the 16th Annual Meeting Radius Credit Union

Location: Avonlea Community Hall

Date: Tuesday April 12, 2022

Chairman Ray Barbarin welcomed everyone to the Sixteenth annual meeting of Radius Credit Union.

Ray called the meeting to order at 6:45 p.m.

Ted Struthers presented confirmation of Quorum with 55 members and two guests in attendance. He also gave proof of notice of meeting with the meeting being advertised in multiple avenues such as in branches and on the RCU website, and social media more than 20 days in advance of the meeting.

Ted Struthers was appointed as Secretary of the meeting.

Motion: by Jan Day and Tim Forer to accept the agenda as presented. Carried.

Motion: by Keith Bacon and Garnet Hoffart to accept the minutes from the April 13, 2021 annual meeting. Carried.

Ray Barbarin and Ted Struthers proceeded to review and present the President's and the CEO's reports. Highlights are as follows:

Highlights of the reports presented within the reports were as follows:

- Vision Mission and Values & Co-operative Principles
- 2021 Pandemic Issues.
- Board focus and responsibilities
- Board Attendance, Remuneration and Expenses reviewed
- Committees of the board and who is on them
- All Board members are actively participating in board training
- Strategic Initiatives
- List of Board members, Terms and Years of Service were reported
- 2021 Growth, Margin and Capital reported
- Capital Ratios trending down
- ERM process and focus on risk areas were reported
- Regulatory environment & Capital Standards were reported
- Market Code & Privacy Code reports enclosed
- A listing of all the staff, positions, years of service, as well as the locations they work.
- Corp and Social Responsibility report included branch locations, number of staff and how much payroll income was injected into our local economies.

- Environmental Initiatives were reported along with a listing of Donations and Contributions the Credit Union and staff did in 2021. Over 1,300 volunteer hours were completed.
- A summary of special community events Radius hosted in 2021.

Nominating Committee Report
Presented by Keith Bacon:

Keith provided a brief report on the composition and role of the Nomination Committee. He also spoke to the structure of the board and on the representation by district. Election of Director Report was presented.

- Gloria Kirkpatrick – District 1
- Raymond Barbarin – District 2
- Robert Vermeulen – District 2
- Steven Berg – District 3

Audit & Committee Report:

Blair Kotz Chairman of the Audit committee gave a detailed report on role and activity of the Audit & Risk Committee in 2021. Blair expressed the audit committee satisfaction with our External Auditor and recommended that we appoint MNP as our Auditor for 2022.

Motion: By Brad Mohr and Ken Bourassa to appoint MNP to be the external auditor for 2022. Carried

Ray Barbarin expressed his appreciation and thanks to the Members of Audit and Risk Committee for all the additional work they do. Their role in the Credit Union has increased significantly over the past few years, and the Board greatly appreciates their time and commitment.

Auditors Report and Financial Statement
Presented by Rod Sieffert, MNP:

- Rod reviewed the Manager's responsibility note in the statement
- Also reviewed the Auditors Report to the membership
- Balance sheet and Financial Statement were presented in detail
- Rod pointed out that the Financial Statement in the report was the short form; however the full length report was available at the registration desk as well as on the Radius CU Website for anyone wishing to review or receive a copy.
- Rod discussed the tax rate that the Credit Union had pay
- Closed with thanking staff, board and management for their assistance in conducting the 2021 audit.

Motion: By Rick Williams & Brenda Mazer to accept all above reports as presented. Carried.
New & Other Business:

Service Awards:
Staff:

Charmaine Wudrick – 5 years
Meagan Metke – 10 years
Hailey Lemay – 10 years

Board of Directors:

Brenda Mazer – 15 years
Steven Berg – 20 years

Door Prize winners were as follows: Damon Nelson, Gloria Kirkpatrick, Brenda Mazer, Meagan Kirkpatrick, Remo Forer, Helen Kincade, Ray Barbarin, Don Kincade, And Stephanie Bacon.

Meeting was adjourned by Mara Barbarin @ 7:35 p.m.

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Chairman Secretary

Board President and CEO Report

At Radius, we continue to be directed by the mission and vision of building relationships and supporting our communities and as our report cover states, the focus of 2022 was about *Growing Together*.

In a year where implications of inflation and the Bank of Canada raising interest rates may have caused some level of hardship for our borrowers not seen in over a decade, Saskatchewan and Radius fared somewhat better than other parts of the country due to a diversified economy and relatively strong commodity prices. Due in part to this, Radius had a successful 2022, which ultimately means a benefit to our membership. We are very proud of the recent 10% patronage payment back to you, our members.

Growing Together and true co-operative values were never seen more so than when Radius joined with 25 other credit unions around the province to purchase the services divested by SaskCentral and establish National Consulting Limited. Our CEO lead this initiative for the province, and he and his entire leadership team should be acknowledged for the effort and commitment to keeping the co-operative system of Saskatchewan strong.

We saw the launch of a new website and digital banking platform, which improved and modernized the interface for both the mobile app and the online banking experience. Our commitment is to continue to enhance the functionality and features to make banking easy and convenient to your life. This was a significant learning curve requiring many hours of staff time to test and update. We thank our staff for their dedication and commitment to the credit union in an environment where each new year brings a new challenge and requires adaptation to meet the change.

I would also like to thank my fellow Directors for their leadership, knowledge and commitment to Radius Credit Union. A special thank you to Tim Forer, who after 10 years of service as a director decided to not let his name stand for re-election and allow for new representation on the Board.

The new board representation comes from another area of *Growing Together*. In June of 2022 the Earl Grey Credit Union officially voted to become a part of the Radius Credit Union structure and brand. We welcome Dawn Butz to the board and we welcome each of the Earl Grey branch staff to our team.

And to our members and new members from the Earl Grey area, we thank you and welcome you for your continued business and support.

As the Board of Directors, our priority is to provide sound governance and risk oversight to our credit union. We receive regular reporting from Management. We receive an annual report from our internal and external auditor and our regulators at Credit Union Deposit Guarantee Corporation (CUDGC) who monitor credit union activity on an ongoing basis. Your Board of Directors are completely satisfied that Management provides sound financial and risk management over your credit union.

Radius Credit Union works hard to be your first choice of financial service providers by consistently offering quality member service, competitive service offerings, and access to knowledgeable advisors and continuous investment in technology – so you can access service when you want. We want to continue to educate members on how to be financially literate, be safe using technology and make the right decisions to enhance their financial well-being. We look forward to another year of building relationships and *Growing Together* with the people of the communities we serve.

Again, thank you for your belief in credit unions and the co-operative principles. Thank you for your faithfulness to and confidence in Radius Credit Union. We are pleased to present the following 2022 Annual Report for Radius Credit Union.

growing together

Board of Directors

The board is responsible for the strategic oversight, business direction and supervision of management of Radius 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 key roles of the Board include formulation of strategic business plans; setting goals, evaluating the performance of the CEO; approving corporate mission, vision and values; monitoring corporate performance against strategic business plans; oversight of operations; ensuring compliance with laws and regulations; keeping members informed regarding plans, strategies and performance of the Credit Union; and other important matters.

Radius Credit Union 2022 Board of Directors

Director & Occupation	District	Years on Board	Regular Meeting Attendance	Committee Meeting Attendance	All Day Meeting Attendance
Keith Bacon, Farmer	1	24	10	3	1
Ray Barbarin, Farm Labourer	2	34	6	2	1
Steven Berg, Farmer	3	21	7	3	1
Ken Bourassa, Sales Manager	2	32	9	7	1
Tim Forer, Farmer	1	10	8	3	1
Gloria Kirkpatrick, Farmer	1	4	9	2	1
Blair Kotz, Accountant	2	20	10	9	1
Brenda Mazer, Bookkeeper	1	16	9	9	1
Mark Mellon, Farmer	1	24	6	1	1
Rob Vermeulen, Farmer	2	7	8	7	1
Rick Williams, Farmer	3	27	9	7	1

District 1 – Ogema, Avonlea & Pangman

District 2 – Radville & Ceylon

District 3 – Torquay & Tribune

The directors are remunerated a per diem for board meetings, committee meetings and planning sessions. In 2022 the total remuneration paid was $36,087.50. Total travel and meals for the board was $4,687.27, Officials Insurance was $2,885.04, Officials' development & other was $2,253.79. With the total cost incurred regarding the Board of Directors for 2022 of $45,913.60.

GOVERNANCE PRACTICES

Promoting a successful, healthy credit union is accomplished through processes of good governance. Corporate governance involves a set of relationships between a credit union's board, executive management, members and other stakeholders. Effective corporate governance practices are essential to achieving and maintaining the trust and confidence of credit union members, the public and other stakeholders. Radius Credit Union's governance practices are assessed periodically by internal and external auditors and the credit union system regulator (CUDGC). Reviews in 2022 by internal and external audit confirmed that our Board is using effective governance practices that comply with emerging regulatory guidelines.

TRAINING AND EVALUATION

Each director completed a self-assessment in 2022 as per regulatory expectations. Training material will be created based on results in order to improve knowledge in strategic thinking and planning, human resources oversight, financial and risk oversight and legal and regulatory oversight. Through 2022 the directors invested 47.5 hours into training in order to continue to be a well-informed advocate for the members of Radius Credit Union.

COMMITTEES

The responsibilities of the board of a financial services organization encompass an ever growing list of duties under regulatory oversight. Radius Credit Union maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union. The board determines the skills and abilities needed on each committee and chooses its members accordingly. The board also determines each committee's terms of reference, guidelines and requirements. The President serves as an ex-officio of all committees.

Executive Committee

The Executive Committee acts in the capacity of, and on behalf of the board of directors between regular or special board meetings on all board matters except those, which the board may not delegate due to legislative requirements. The 2021 members of this committee were:

- Ray Barbarin (President)
- Keith Bacon (Vice-President)
- Ted Struthers (Secretary/Treasurer)
- Ken Bourassa
- Steven Berg

Audit & Risk Committee

The Audit and Risk Committee met each quarter of 2022, oversees the financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators and reviews internal control procedures. In addition, the committee oversees the identification, understanding and management of risks that may affect Radius Credit Union. The 2022 members of this committee were:

- Blair Kotz
- Brenda Mazer
- Rob Vermeulen
- Rick Williams
- Ken Bourassa

Credit & Conduct Review Committee

The purpose of the Conduct Review Committee is to ensure that all proposed related party transactions with the Credit Union are fair to the Credit Union and that best judgement is exercised in all matters of related party relationships. The CRC meets to ensure that the directors and employees act with integrity and objectivity by having policies, processes and practices in place that protect people and the organization from claims and the perception of unfair benefit or conflict of interest. The 2022 members of this committee were:

- Rob Vermeulen
- Tim Forer
- Mark Mellon

Building Committee

The Building & Property Committee works with management to develop policies and plans relevant to credit union service facilities. The members of this committee were:

- Steven Berg
- Gloria Kirkpatrick
- Brenda Mazer
- Tim Forer

Nominating Committee

The nominating committee oversees the nomination and election processes for credit union directors. The 2022 members of this committee were:

- Ray Barbarin
- Gloria Kirkpatrick
- Rob Vermeulen
- Steven Berg

Workplace Violence and Harassment Committee

The 2022 members of this committee were:

- Ted Struthers
- Kimberley Olfert
- Ray Barbarin

The full Board of Directors participates in the annual strategic planning session lead by an external consultant.

The Annual Meeting allows your board of directors and your management team to report on the activities and results of the year. The 2022 Annual Report is provided to our members as a highlight of our past year's performance. We are pleased to share these highlights with the Radius Credit Union communities.

2022 Financial Operation Summary

(in thousands)	2022	2021	2020
Net Income	8,271	2,421	1,982
Assets	516,468	479,985	431,596
Equity	38,653	30,382	27,961
Equity as % of Assets	7.88	6.33	6.47
Delinquency over 90 Days	0.10	0.07	0.25
Operating Expenses	6,380	5,719	5,704

As part of the mission of Radius Credit Union we work hard to be a community minded, financially strong, and viable financial service provider. In order to achieve being your first choice for financial services, the Board establishes the strategic direction and management develops action plans to meet all of the objectives of the credit union. The planning process encompasses the development of the strategic plan, the business plan, and the operating and long-term budgets. Through these plans, the board determines the key drivers for the financial results. The chart above highlights a few of the key financial performance results.

Asset growth

Over the course of 2022, assets continued to grow. In 2021 our asset growth was 11.21% and in 2022 the growth rate was 7.60%, just over 36.5 million. We are attributing this to our increased membership as well as the strong Saskatchewan economy. We started the year at $479.9 million in assets and ended the year at just over $516.4 million. Member deposits provide the credit union with funds to lend to members or funds to invest, thereby increasing the assets. Member deposits increased from just over $446 million to $473 million over the course of the year. Radius Credit Union's equity ended the year at $38.6 million. This significant increase is due to the Credit Union System sale of Concentra Bank to EQ Bank. From that sale Radius Credit Union received a tax-free dividend of just over $5.3 million that was then allocated to reserves. This one-time injection of capital has assisted with our capital growth and has enabled us to pay the almost $1.3 million in patronage payments to our membership.

Despite being a financial co-operative, Radius is still a business. We do have to generate a sufficient operating surplus to meet operating expenses, build capital and return something to members. The credit union generates revenue through interest margin, service charges and commissions. In 2022 we have seen seven Bank of Canada rate increases, moving the prime from .25% to 4.25% at December 31st 2022. With the rate movement our interest margin has improved from 1.79% to 2.26% at year end. With this margin improvement, even without the Concentra Dividend, we were able to meet our regulatory contribution to our capital as well as pay our membership a 10% patronage payment and pay 5.50% interest on the member equity accounts.

Loan growth

Loan growth in 2022 was somewhat lower than the previous year. The overall growth rate was 5.33% compared to the 11.15% in 2021. The organic growth (local member loans) accounted for the bulk of the growth, increasing by just over $12 million and the participation or purchased loans from other financial institutions accounted for the other $3.0 million. The overall growth in loans kept pace with the deposit growth in 2022.

Overall loan balances increased by $15.5 million. However, with the overall asset growth this past year the percentage lent out decreased slightly to 55.08% as compared to 56.26% in 2021.

Delinquency

As a credit granting organization, credit quality is a key risk management area. The credit union's standard for credit quality measures continues to remain strong. Delinquency greater than 90 days increased to .10% of loans on December 31, 2022. This is up slightly from the previous year's .07%, We are very pleased with this result and attribute the success not only to our quality lending department but also to the members we serve. Our level of delinquency compares favorably to levels experienced by our peer credit union group in Saskatchewan and is lower than the Saskatchewan credit union system average.

Radius Credit Union monitors its exposure to potential credit losses and maintains both general and specific loan allowances accordingly. Our lending department review quarterly, and then do a detailed file review once per annum to determine if there are any areas of concern that could require further adjustment. This year the allowance numbers increased. There was an additional $90 thousand to the specific allowance and a further $250 thousand write down on a Moose Jaw Condo development property.

Both internal, and external audit conducted reviews in 2022. All supported and appreciated the quality of the loans as well as our underwriting practices.

Foreclosed Property

At year-end Radius Credit Union is now down to 5 bare lots in the Moose Jaw Condo development. We currently have these listed for sale with a realtor in Moose Jaw. Total amount in foreclosed property at year end was just under $240,000.00. We are hopeful to have the lots sold as well as conclusion with the insurance claim completed this year.

Summary

At Radius Credit Union, our vision is to work together to strengthen our communities and provide the best options for our members to meet their financial needs. We are pleased to report that we have continued with the expanded service hours in Pangman. The branch has reported moderate growth since we have increased the hours. We have revisited the financials for the branch and have set new performance targets to be achieved. The Board will continue to monitor the progress.

As we further reflect on the year past, we are proud of the accomplishments of Radius Credit Union. While we continue to focus on serving the needs of our members, the economic and business conditions we face have an impact to our Credit Union. With pandemic restrictions being lifted this year we have been able to almost return to normal with our community support and involvement, meet face to face with our membership, staff, suppliers and our Board of Directors. This is truly a breath of fresh air for us all. We are very proud to expand our brand to Earl Grey and are looking forward to working with the staff and members of that organization. Despite the challenges we encountered throughout the past year, we were still able to grow our organization, expand the services delivered to our members, keep our staff and members safe and find efficiencies that could be reinvested back into our organization for the benefit of our members, and owners.

We are always proud of our staff as they align with our credit union values and making a difference. They continue to deliver a very high level of quality member service, and are very engaged in our Credit Union, our communities, and our system. Their commitment to you the member is second to none.

As we look to 2023, our mission continues to be building relationships with you, supporting our communities, and providing financial solutions so that Radius Credit Union is the first and best option to meet your financial needs. *Growing Together!*

Thank you for your continued support of your local credit union!

growing together

Enterprise Risk Management (ERM)

Each year Radius Credit Union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our members and communities now and in the future. This process is called Enterprise Risk Management (ERM) and is mandated by CUDGC as a requirement of all credit unions in Saskatchewan.

As a financial institution, Radius Credit Union is exposed to a variety of risks. Risk is the downside that exists in almost every component of the Credit Union's activities. Risk represents the potential negative impact to the Credit Union's ability to achieve important goals. Risk can also cause financial loss and harm to a credit union's reputation. Managing risk with business opportunities is the top priority for the Board of Directors and Management at Radius Credit Union. Building sound policies and operational processes, risk-based audit practices and capital and liquidity management strategies, all supported by strong human resources, is the heart of our strategic objectives.

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated and unexpected business events. An adequate capital position allows the Credit Union to absorb unexpected losses, implement long-term strategic plans and signal financial strength. Our main objective remains to preserve and build capital while growing our business.

When considering risks, Radius Credit Union determines the appropriate levels of control over all risks using an ERM approach for the identification, measurement and monitoring of risks. The Credit Union's operations undergo regular independent assessment through external audit, internal audit and regulatory reviews to ensure that key risks are being mitigated and any potential impacts to capital are reported accordingly.

Our enterprise risk management framework manages risks in the following categories:

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, member preferences, obsolete products 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.

Radius Credit Union has formal planning processes which result in a strategic business plan focused on strategic objectives as outlined earlier. The credit union uses a comprehensive reporting process to monitor performance relative to plans and provides regular updates to the Board. The Enterprise Risk Management process further identifies emerging risks and formulates plans as risks are identified. In addition, directors attend training as well as system meetings and conferences to hear other perspectives and learn from other credit unions.

Credit Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its obligations. Radius Credit Union is affected primarily by its direct lending activities. In addition to lending to its members, Radius Credit Union assumes risks related to loans purchased from other credit unions and affiliates, leases financed through leasing corporations and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, inadequate allowance risk and policy exceptions risk.

Lending practices are set by the Board of Directors in policy and put into practice through procedures established by management. Review and revision of lending policies and procedures are completed on a regular basis.

Credit granting is performed in accordance with approved policies, procedures and applicable legislation. This includes credit analysis, pricing, terms and documentation for lending. Loan pricing structures are in place to support lenders in pricing decisions and to ensure risk is offset by rates. Concentration limits in regard to industry and size of loans have been designed to reflect our risk tolerance. Credit risk is further mitigated through training of loans personnel.

The credit union's credit portfolio and lending practices undergo regular and ongoing independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to management and to the Board of Directors through the Audit and Risk Committee (ARCO).

Market Risk

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

The credit union's market risk is impacted primarily by movements in interest rates, specifically by the timing differences that exist between the re-pricing of loans, investments and deposits.

Foreign exchange risk occurs when members change Canadian funds for another currency; which in our case are predominantly US dollars. This risk is offset by the credit union maintaining a US Dollar Account with SaskCentral in a similar amount to funds held in member US Dollar accounts. When members exchange currency, we complete a similar transaction to offset any risk exposure. Foreign exchange risk is monitored at least quarterly and adjustments to the account at SaskCentral are made as required.

The credit union's exposure to changes in interest rate is monitored by management and reviewed by the Management Asset & Liability Committee (ALCO) who in turn reports to the Audit & Risk Committee.

Liquidity Risk and Management

Liquidity is required to meet the day-to-day cash needs and loan demands of our members. Liquidity risk arises from general funding activities and through management of our assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits.

One of Radius's primary objectives as a financial institution is to prudently manage liquidity to ensure we can generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they become due, even under stressed conditions. Radius's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as our financial plan which is approved by the board on an annual basis.

The principles of Radius's liquidity management framework are:

- Maintaining a strategy and policies for managing liquidity risk.
- Maintaining a stock of liquid assets.
- Measuring and monitoring funding requirements.
- Managing market access to funding sources.
- Contingency planning and
- Ensuring internal controls over liquidity risk management process.

Radius has established policy with respect to liquidity and has processes and practices with respect to the management of funding requirements. We have built and maintain access to a number of funding sources. The primary source of funding, being our deposit portfolio which was over $473 million as at 2022 year-end.

In addition to deposits, Radius has a $9.5 million line of credit at SaskCentral and the ability to borrow additional demand credit at SaskCentral, approved access to market investments by way of brokerage, and the ability to syndicate credit with other credit unions and organizations.

Utilizing these various funding sources achieves funding diversification as required to meet overall funding assurance to the organization.

Liquidity risk continues to be measured by analyzing the structure of the balance sheet.

Asset Composition

			Change	
	2022	**2021**	$	%
Cash and Investments	224,515,059	207,598,695	16,916,364	8.15%
Loans	284,751,920	270,471,253	14,280,667	5.28%
All Other Assets	7,201,136	1,915,185	5,285,951	276.00%
Total Assets	516,468,115	479,985,133	36,482,982	289.43%

Asset Compostition as a percentage of all assets:

	2022	2021	2020	2019	2018
Cash and Investments	43.47	43.25	42.97	37.49	34.15
Loans	55.13	56.35	56.58	62.03	65.36
All Other Assets	1.39	0.40	0.44	0.48	0.49

Balance sheet composition is important from a liquidity management perspective as the organization must ensure it carries an appropriate level of high-quality liquid assets, while at the same time attempting to get the best return possible on these investments. These assets are reported on the balance sheet as cash or cash equivalents as well as in the investment portfolio.
An important measure of liquidity risk Radius employs is the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure that a credit union has an adequate stock of unencumbered high-quality assets (HQLA) that:

- Consists of cash or assets that can be converted to cash at little or no loss of value; and
- Meets its liquidity needs for a 30-day calendar day stress scenario, by which time it is assumed corrective actions have been taken by the credit union.

Liquidity Coverage Ratios			**Change**	
	2022	**2021**	**$**	**%**
Level 1A Weighted Assets	39,183,059	39,305,085	-122,026	-0.31%
Level 2A Weighted Assets	749,510	199,261	550,249	100.0%
Level 2B Weighted Assets	6,526,112	2,484,204	4,041,908	162.70%
High Quality Liquid Assets (HQLA)	**46,458,682**	**41,988,550**	**4,470,132**	**10.65%**
Retail and Small Business Deposit Run-Off	8,087,726	8,170,131	-82,405	-1.01%
Unsecured Wholesale Funding Run-Off	25,269,211	22,882,844	2,386,367	10.43%
Secured Funding Run-Off	0	0		
Additional Requirements	2,043,542	2,077,737	-34,195	-1.65%
Total Prescribed Outflows	**35,400,479**	**33,130,712**	2,269,767	6.85%
Total Prescribed Cash Inflows	2,151,831	18,821,938	-16,670,107	-88.57%
Net Prescribed Cash Outflows	**33,248,648**	**14,308,774**	**18,939,874**	**132.37%**
Liquidity Coverage Ratio (LCR)	**139.73%**	**293.45%**		

Under the current provincial regulatory environment, Credit Union Deposit Guarantee Corporation has established minimum LCR requirements of which Radius Credit Union has met and well surpassed this level.

In addition, we continue to conduct multiple different stress testing; we model different scenarios and calculate the resulting impact on organizational liquidity. The results of this stress testing are reported annually to the Audit and Risk Committee.

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.

Policies, procedures and controls are designed to ensure Radius Credit Union is compliant. Our Chief Financial & Risk Officer oversees our processes related to certain pieces of legislation and reports quarterly to the Audit & Risk Committee and in turn to the board. We contract Internal Audit from Brightside Consulting Services Ltd. to review our processes and controls on an annual basis. In addition, our external auditors and regulatory bodies examine processes and controls 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 increasing efficiency ratios, the impact of shrinking margins, and the potential of increased cost to retain staff, deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters. Operational risk is managed through policies and procedures, controls and monitoring. Control and monitoring involves segregation of duties, employee training, performance management and structured internal and external audit functions. Other mitigating factors include changes made to increase revenues and decrease expenses, monitoring human resource changes and practices in the marketplace, business continuity planning, appropriate insurance coverage and secure technology solutions. Our banking platform is maintained offsite and includes a very complicated back up and disaster recovery process.

Residential Mortgage Portfolio

In accordance with regulatory guidelines, Radius Credit Union is required to provide additional credit disclosures regarding our residential mortgage portfolio.

Radius is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects Radius's real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently Radius uses Canada Mortgage and Housing Corporation (CMHC) and Sagen to provide mortgage default insurance.

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 HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. Radius Credit Union is limited to providing HELOCs of no more than 65% of the collateral value.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and a decrease in housing prices, Radius performs stress tests. The stress testing uses historical delinquency and write-off information over the past 5 years. Our results show that in an economic downturn, Radius's capital position would be sufficient to absorb residential mortgage and HELOC losses.

Residential Mortgage Loan Portfolio

		2022	%		2021	%		Change	%
Insured	$	18,495,141	29.9%	$	19,603,913	31.9%	$	(1,108,772)	-1.8%
Uninsured	$	43,310,943	70.1%	$	41,760,210	68.1%	$	1,550,733	2.5%
HELOC	$	-	0.00%	$	-	0.00%	$	-	0.0%
Total Loans	$	61,806,084	100.0%	$	61,364,123	100.0%	$	441,961	0.7%

Residential Mortgage Term Loan Portfolio by Amortization

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	113	$ 8,976,284.20	14.5%	$ 79,436.14
10-15 years	61	$ 6,580,390.00	10.6%	$ 107,875.25
15-20 years	104	$ 16,713,625.00	27.0%	$ 160,707.93
20-25 years	131	$ 29,535,785.00	47.8%	$ 225,464.01
greater than 25 years	0	$ -	0.0%	$ -
	409	$ 61,806,084.20	100.0%	$ 151,115.12

Residential Mortgage Portfolio by Province

Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Saskatchewan	409	$ 61,806,084.20	100.0%	$ 151,115.12
Alberta	0	$0.00	0.0%	$0.00
British Columbia	0	$0.00	0.0%	$0.00
Ontario	0	$0.00	0.0%	$0.00
Manitoba	0	$0.00	0.0%	$0.00
New Brunswick	0	$0.00	0.0%	$0.00
Nova Scotia	0	$0.00	0.0%	$0.00
	409	$ 61,806,084.20	100%	$ 151,115.12

Capital Management

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Credit Union Deposit Guarantee Corporation (CUDGC), regulator of Saskatchewan credit unions, prescribes capital adequacy measures and minimum capital requirements to ensure the strength of the credit union system.

Radius Credit Union recognizes the importance and significance of capital management and has worked to ensure strength in this area. In this regard a Capital Plan is approved annually for the purpose of identifying the optimal capital ranges for our credit union and our plans to attain the identified goal. Too much capital would indicate that the credit union is not generating sufficient return on its capital; too little capital restricts the ability to grow and generate returns, it also increases the risk of having insufficient funds to protect against unexpected losses or liquidity needs. The Credit Union relies on profitability to grow its capital position and holds its total capital in retained earnings. Both balance sheet growth and profitability affect the Credit Union's capital ratios. The Credit Union retains a portion of its annual earnings to meet its capital objectives.

We manage capital in accordance with our capital management plan and board approved capital policies with a goal to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans and signal financial strength. The capital plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board of Directors. All risks are assessed annually through our Risk Management process. Regular reporting to the Board of Directors and the regulator are monitored through our audit process.

Changes in capital are due to the growth in assets as well as the increase in our loan portfolio. Radius Credit Union has historically focused on traditional financial services and managed a moderate level of risk in its loan and investment portfolio. The dollars in retained earnings have increased by just over $8.27 million aided by the one-time dividend from Concentra. This has resulted in an increase in all our capital ratios. The Common Tier 1 Equity at the end of the year was 12.90% compared to 10.58% in 2021. Risk Weighted Capital was 13.91% compared to 11.66% in the prior year; and the Leverage Ratio has increased from 6.82% to 7.89%.

The Capital Plan outlines strategies to ensure the minimum target levels are met. There are several key measures of capital which value both the amount and the quality of capital holdings. As of the end of 2022 Radius Credit Union exceeds all capital measurements.

MARKET CODE

Radius Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan Credit Unions, SaskCentral and 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 our services to you and our product lines
- Financial planning process to advise members on the risks and benefits associated with financial planning services
- Professional standards to preserve a positive image of Radius Credit Union among members and communities
- Capital management to ensure our capital structure aligns with our risk philosophy
- Risk management to ensure all risks are measured and managed in an acceptable fashion
- Fair sales by outlining the roles and relationship of staff to all members in accordance with the financial services agreement
- Privacy to protect the interests of those who do business with Radius Credit Union. Privacy is the practice of ensuring all member information is kept confidential and used only for the purpose for which it was gathered
- 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 our membership

PRIVACY CODE

Credit unions in Canada have a long history of respecting the privacy of their members. As a co-operative financial institution, we are committed to developing policies, procedures and service offerings that address privacy concerns. We continue to protect your privacy and your right to control the collection, use and disclosure of your personal information. We have procedures in place that guide our employees and directors in maintaining confidentiality.

We are committed to keeping your personal information accurate, confidential, secure and private. Your credit union board of directors has adopted the Credit Union Code for the Protection of Personal Information. Our employees understand the importance of this Privacy Code based on ten interrelated principals of accountability, identifying purposes, consent, limiting collection, limiting use, disclosure, retention, accuracy, safeguards, openness, individual access, and compliance and follow them carefully.

Our Management Team & Staff

It is through our employees that we are able to build an organization that offers strong financial products and service with competency, courtesy and concern for you, our members.

Radius Credit Union has an experienced management team. Executive Management is responsible to oversee the operations of the credit union within the context of strategies and policies approved by the Board, and for developing processes that identify, measure, monitor and control risks.

Our Executive Management team consists of four positions:

- Chief Executive Officer (CEO) – Ted Struthers – responsible for the oversight of all areas of the operation, reports monthly to the board of directors and annually to the members at the AGM. Ted fills this position with 42 years of experience.
- Chief Finance & Risk Officer (CFO/CRO) – Ann Favreau – responsible for finance, risk management, compliance & technology functions. Ann fills this position with 39 years of experience and a Master's degree through St. Mary's University, Master of Management Cooperatives and Credit Unions (MMCCU).
- Chief Finance & Risk Officer (CFO/CRO) – Dirk Balon – responsible for finance, risk management, compliance & technology functions. Dirk fills this position with almost 32 years of experience. Dirk was brought in during 2022 for succession planning as he will replace Ann when she retires at the end of 2023.
- Manager of Governance & Communications – Kimberley Olfert– responsible for governance, communications, human resources and organizational development. Kimberley fills this position with 25 years of experience and a Bachelor of Commerce from the University of Saskatchewan.
- Manager of Retail Operations – Derek Hoag - responsible for managing all retail functions of the Credit Union including both the deposit and lending departments. Derek fills the position with almost 32 years of Credit Union experience.

We continue to seek ways to make service delivery seamless for members and offer the services in the methods you want. The department managers report to the CEO who in turn reports to the Board of Directors. The entire staff team is listed here:

Name	Position	Years of CU Service
	ADMINISTRATION	
Ted Struthers	Chief Executive Officer (CEO)	42
Ann Favreau	Chief Finance & Risk Officer	39
Kimberley Olfert	Manager of Governance & Communications	25
Derek Hoag	Manager of Retail Operations	32
Dirk Balon	Chief Finance & Risk Officer	32
Lorna Lillejord	Administrative Support Specialist	34
Michelle Leonard	HR & Marketing Coordinator	10

Kayla Dale	Marketing Specialist	3
Roxanne Wiles	Manager of Lending Services	34
Justin Neufeldt	Loan Clerk Team Lead	5
Courtney Lanouette	Loan Clerk	3
Sandra Scott	Manager of Wealth & Investment Services	42
Larry Lillejord	Technology Consultant	50
Bill Smith	Technology Support Specialist	15
Sheila Hildebrandt	Senior Financial Analyst	34

Name	**Position**	**Years of CU Service**
AVONLEA BRANCH		
Denise Mohr	Lending Service Representative	7
Dianna Weed	Regional Member Service Supervisor	15
Rebecca Herman	MSR/Investment Specialist Trainee	1
Carlie Henheffer	Lending Service Representative Trainee	<1
CEYLON BRANCH		
Garnet Hoffart	Business Development Manager (Ceylon & Pangman)	18
Cheryl Rowland	Lending Service Representative	28
Lindsey Tuchscherer	Member Service Representative	2
Elizabeth Colbow	Member Service Representative	<1
OGEMA BRANCH		
Travis Leonard	Business Development Manager (Ogema & Avonlea)	14
Cheryl Dixon	Lending Service Representative	12
Katie Husband	Lending Service Representative	1
Meagan Metke	Member Service Supervisor	11 (leave)
Cara Olafson	Member Service Representative	7
Kathy Nagy	Member Service Representative	21
Katie MacDonald	Member Service Representative	3
Kelly Johnson	Member Service Representative	1
PANGMAN BRANCH		
Lindsay Johnson	Member Service Representative	5
Jacquie Mallory	Member Service Representative	4
RADVILLE BRANCH		
Charmaine Wudrick	Business Development Manager	6
Emile Mazenc	Lending Service Representative	45
Hailey Lemay	Lending Service Representative	11 (leave)
Brenna Scott	Member Service Supervisor/Admin Assistant	10
Candace Schindel	Member Service Representative	14
Taylor Kaufmann	MSR/Member Service Supervisor	10
Tara Doud	Member Service Representative	<1

Name	Position	Years of CU Service
	TORQUAY BRANCH	
Adele Terrett	Business Development Manager	15
Pamela Groshong	Lending Service Representative	18
Katie Bloor	Lending Service Representative Trainee	<1
Sherry Hansen Stepp	Member Service Representative	9
Alesha Stanley	Member Service Representative	1
	TRIBUNE BRANCH	
Dianne Chapman	Business Development Manager	43
Roseanna Stendall	Member Service Representative /Loan Clerk	10
Nicki Berg	Member Service Representative	20
Darcie Ward	Member Service Representative	<1
Tamara Tkachuk	Member Service Representative	<1

RADIUS CREDIT UNION

Corporate Social Responsibility

As part of our mandate of working together to build better communities the credit union has maintained a local presence, engaged in environmentally friendly initiatives, contributed to various organizations, and been involved in various events as listed below. In 2022, we were happy to see our opportunities to donate to local groups and volunteer at local events starting to increase from the previous "pandemic years."

Local presence:

- ✓ The credit union has physical branches located in Avonlea, Ceylon, Ogema, Pangman, Radville, Torquay and Tribune, welcoming Earl Grey in 2023.
- ✓ We have employed 56 local people; this contributed $3,213,761.73 in payroll to our local communities.
- ✓ Our staff and our board commit many hours of their own time to local government, service clubs, sports teams, churches and committees; many are in executive positions with these organizations. Our staff contributed nearly 2,000 hours of volunteer time into our local communities and many more to our extended communities.

Environmental Initiatives:

- ✓ We recycled our cans and bottles and donated the proceeds to Minor Ball, Minor Hockey and the local Libraries
- ✓ We have moved towards a paperless retention system where possible and work towards reducing our footprint on the environment.
- ✓ Energy efficient lighting and heating are being utilized where possible.

Donations and Contributions:

- ✓ Over the past year Radius Credit Union made cash and prize donations totaling over $35,000.
- ✓ Three post-secondary scholarships of $1,000 each awarded to local graduates
- ✓ The following is a list of the clubs, organizations and events that have benefited over the past year:

- ✓ High School Scholarships
- ✓ Telemiracle
- ✓ Community Calendars
- ✓ Local hockey rinks, teams and tournaments
- ✓ Local schools/school groups
- ✓ Local Daycare committees
- ✓ Seniors Centers/clubs
- ✓ Golf Tournaments & Clubs
- ✓ Dance Clubs
- ✓ Minor Ball
- ✓ Royal Canadian Legion local branches
- ✓ Skating Clubs
- ✓ Curling Clubs & Bonspiels
- ✓ Local Regional Parks
- ✓ Local Recreational Committees
- ✓ Local Regional Libraries
- ✓ Local Agriculture & Livestock Societies
- ✓ South Central Spring Classic
- ✓ Community Fundraising Auctions
- ✓ Youth Summer Camp
- ✓ Claybank Bricks & Beef Junior Show
- ✓ Souris Valley First Responders
- ✓ Long Creek Annual Fall Supper
- ✓ Big Muddy Stampede
- ✓ Fireman's Ball
- ✓ Borderland Music Festival
- ✓ Local Museums
- ✓ Lions Clubs
- ✓ CU's Sask Young Leaders
- ✓ Local 4H groups
- ✓ Deep South Personal Care Home
- ✓ Local Swimming Pools
- ✓ Local Second Hand Stores
- ✓ Torquay Community Center
- ✓ Rink Boards
- ✓ Dr. Brown Memorial Fundraiser
- ✓ Prairie Pride Community Centre
- ✓ Fishing Derbies
- ✓ Saskatchewan Young Leaders
- ✓ Town Councils
- ✓ Numerous community clubs, boards & organizations
- ✓ PLUS various other donor & volunteer recipients

growing together

2022 COMMUNITY EVENTS

It's been so great to see you again! As you can see in these photos the staff at RCU has had a blast gathering for events, meetings and fundraisers again in 2022! Our new slogan introduced in 2022 was "Growing Together" - we can't wait to continue growing our relationships with our members, communities, friends and families in 2023!

SERVING TREATS DURING CREDIT UNION DAY CELEBRATIONS!

EMPLOYEE DEVELOPMENT DAY 2022

Family Fun Day 2022

FATCAT IN THE COMMUNITY

2022 COMMUNITY EVENTS

FATCAT COLOUR CONTEST

'DECADES' - HALLOWEEN 2022

Ogema Green Shirt Day 2022

GRACIE HILLRUD RECEIVES AN RCU SCHOLARSHIP

growing together

Nomination Committee Report

The Nomination Committee for 2022 was Ray Barbarin, Gloria Kirkpatrick, Rob Vermeulen and Steven Berg. The purpose of the Nomination Committee is to oversee the annual nomination and election of directors for the Radius Credit Union. The Committee's role is to ensure there are sufficient qualified nominees to fill each vacancy on the board.

There are four terms expiring in April 2023, namely Tim Forer, Brenda Mazer, Ken Bourassa and Rick Williams.

Brenda, Ken and Rick agreed to let their names stand for another term. Tim decided to not let his name stand for re-election. There was one nomination from the Earl Grey area to fill this vacant position, Dawn Butz. Since no further nominations were received, we welcome Dawn to join all other incumbents for three-year terms.

Name in Full	**Place of Residence**	**Expiry of Term**
Dawn Butz	Earl Grey, SK (D1)	2026
Brenda Mazer	Ogema, SK (D1)	2026
Gloria Kirkpatrick	Avonlea, SK (D1)	2025
Mark Mellon	Ogema, SK (D1)	2024
Keith Bacon	Ogema, SK (D1)	2024
Ken Bourassa	Radville, SK (D2)	2026
Blair Kotz	Radville, SK (D2)	2024
Raymond Barbarin	Radville, SK (D2)	2025
Rob Vermeulen	Radville, SK (D2)	2025
Steven Berg	Bromhead, SK (D3)	2025
Rick Williams	Tribune, SK (D3)	2026

Ray Barbarin, Chairman
Nominating Committee

Audit Committee Report

The Audit Committee for 2022 was Blair Kotz, Brenda Mazer, Rick Williams, Ken Bourassa and Rob Vermeulen.

The Audit Committee's purpose is to ensure an independent review of the credit union's operation in the areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to *The Credit Union Act, 1998* and our policies.

The committee directs, reviews and approves the letter of engagement for the external auditor (MNP) and internal audit (Brightside Consulting Services), annual audit fees, audit plans and scope of the audits before the auditors commence work for the current year. The committee reviews the performance of the internal and external auditors and makes a recommendation to the Board of Directors and the membership at the Annual General Meeting on the appointment of the external auditor for the ensuing year.

MNP (External Audit) and Brightside Consulting Services (Internal Audit) have all acknowledged that Radius Credit Union meets or exceeds the audit results for credit unions of similar size.

The audit committee was pleased with the reporting provided by MNP for the 2022 year. The committee would recommend to the membership that we appoint MNP as our auditors for the 2023 fiscal year.

Blair Kotz, Chairman
Audit Committee

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

ANNUAL REPORT MESSAGE 2022

January 2023

Deposits Fully Guaranteed

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.

QUICK FACTS

(AS OF DECEMBER 31, 2022, UNLESS OTHERWISE INDICATED)

CREDIT UNION COUNT

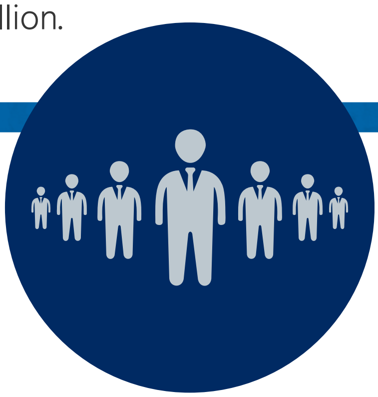
As of January 1, 2023, there are 33 credit unions in Saskatchewan serving 197 communities through 224 service outlets.

SASKATCHEWAN ASSETS

Saskatchewan credit union assets reached over $28.6 billion with revenue of over $1.43 billion.

BOARD MEMBERS

There are 317 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.

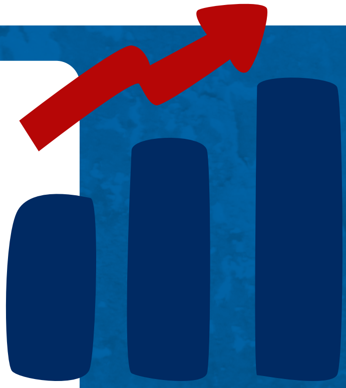


FULL GUARANTEE

Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention.

LENDING AMOUNTS

Credit union lending amounts were over $21 billion.



QUICK FACTS

(AS OF DECEMBER 31, 2022, UNLESS OTHERWISE INDICATED)

PATRONAGE EQUITY

In 2022, Saskatchewan credit unions returned over $18.86 million to their members in the form of patronage equity contribution and dividends.

ASSET SIZE

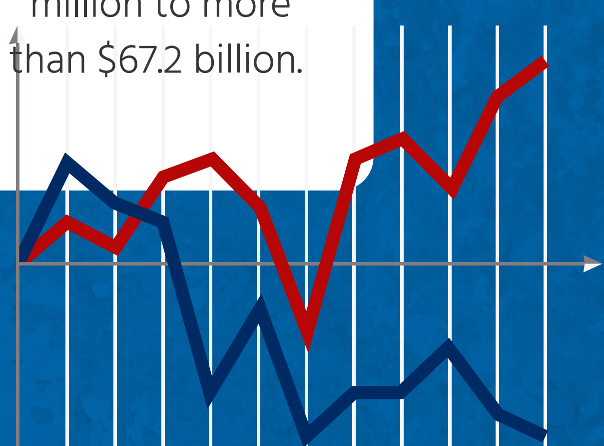
As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from $40.85 million to more than $67.2 billion.

ECONOMY

Credit unions are a major contributor to Saskatchewan's economy, employing over 3,400 people.

MEMBER COUNT

Credit unions offer financial products and services to more than 497,000 members.



Radius Credit Union Limited

Financial Statements

December 31, 2022

Contents

Management's Responsibility

To the Members of Radius Credit Union Limited:

Management is responsible for the preparation and 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 Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management 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, 2023

Chief Executive Officer

To the Members of Radius Credit Union Limited:

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Regina, Saskatchewan

MNP LLP

March 13, 2023

Chartered Professional Accountants

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

	2022	*2021*
	$	*$*
Assets		
Cash and cash equivalents *(Note 4)*	**15,087,188**	24,574,817
Investments *(Note 5)*	**209,427,871**	183,023,878
Members loan receivable *(Note 6)*	**284,751,920**	270,471,253
Other assets *(Note 7)*	**5,988,106**	635,860
Property and equipment *(Note 8)*	**1,219,736**	1,279,325
	516,474,821	479,985,133
Liabilities		
Member deposits *(Note 10)*	**473,450,630**	446,534,488
Income taxes payable	**228,761**	168,931
Other liabilities *(Note 11)*	**1,755,130**	436,724
Membership shares and equity accounts *(Note 13)*	**2,387,394**	2,462,602
	477,821,915	449,602,745
Commitments *(Note 19)*		
Members' equity		
Retained earnings	**34,669,364**	26,398,846
Contributed surplus	**3,983,542**	3,983,542
	38,652,906	30,382,388
	516,474,821	479,985,133

Approved on behalf of the Board

Director **Director**

Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 **$**	2021 $
Interest income		
Member loans	**11,074,407**	9,280,903
Investments	**9,479,284**	2,674,850
	20,553,691	11,955,753
Interest expense		
Member deposits	**4,831,967**	3,957,787
Borrowed money	**8,270**	3,119
	4,840,237	3,960,906
Gross financial margin	**15,713,454**	7,994,847
Other income	**1,666,924**	1,326,738
	17,380,378	9,321,585
Operating expenses		
Administration	**1,688,848**	1,549,535
Member security	**415,776**	375,118
Occupancy	**240,994**	216,379
Organizational	**99,739**	57,593
Personnel	**3,934,814**	3,520,167
	6,380,171	5,718,792
Income before provision for impaired loans, patronage refund, and provision for (recovery of) income taxes	**11,000,207**	3,602,793
Provision for impaired loans *(Note 6)*	**340,000**	245,013
Patronage refund *(Note 14)*	**1,269,150**	60,000
Income before provision for (recovery of) income taxes	**9,391,057**	3,297,780
Provision for (recovery of) income taxes *(Note 12)*		
Current	**1,118,140**	888,979
Deferred	**2,399**	(12,590)
	1,120,539	876,389
Comprehensive income	**8,270,518**	2,421,391

The accompanying notes are an integral part of these financial statements

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

	Contributed surplus	Retained earnings	Total equity
Balance December 31, 2020	**3,983,542**	**23,977,455**	**27,960,997**
Comprehensive income	**-**	**2,421,391**	**2,421,391**
Balance December 31, 2021	**3,983,542**	**26,398,846**	**30,382,388**
Comprehensive income	**-**	**8,270,518**	**8,270,518**
Balance December 31, 2022	**3,983,542**	**34,669,364**	**38,652,906**

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 member loans	**10,822,054**	9,243,421
Interest and dividends received from investments	**3,783,544**	2,689,361
Other income received	**1,666,924**	1,326,738
Net change in member deposits	**26,223,162**	46,247,657
Net change in member loans receivable	**(14,459,281)**	(26,476,210)
Payments to suppliers and employees	**(6,154,830)**	(5,384,501)
Interest paid on deposits	**(4,138,987)**	(4,394,640)
Interest paid on borrowed money	**(8,270)**	(3,119)
Income taxes paid	**(1,058,310)**	(818,045)
	16,676,006	22,430,662
Financing activities		
Net change in membership shares and equity accounts	**(75,208)**	12,806
Patronage paid out	**-**	(60,000)
	(75,208)	(47,194)
Investing activities		
Purchases of property and equipment *(Note 8)*	**(265,170)**	(245,813)
Net change in investments	**(25,975,624)**	(29,228,225)
Proceeds from disposal of property and equipment	**152,367**	-
	(26,088,427)	(29,474,038)
Decrease in cash and cash equivalents	**(9,487,629)**	(7,090,570)
Cash and cash equivalents, beginning of year	**24,574,817**	31,665,387
Cash and cash equivalents, end of year	**15,087,188**	24,574,817

1. Reporting entity

Radius Credit Union Limited (the "Credit Union") was formed pursuant to the Credit Union Act, 1998 of Saskatchewan ("the Act") and operates seven Credit Union branches.

The Credit Union serves members and non-members in Ogema, Radville, Ceylon, Avonlea, Pangman, Torquay, and Tribune, Saskatchewan and their surrounding communities. The address of the Credit Union's registered office is 313 Main Street, Ogema, Saskatchewan.

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

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

Statement of compliance

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

The financial statements were approved by the Board of Directors and authorized for issue on March 13, 2023.

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.

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)*

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

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.

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its SaskCentral, Concentra Bank (operating as Wyth Financial), 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.

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. Further details are in Note 12.

3. 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.

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.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, 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.

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 and 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.

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

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in comprehensive income. Financial assets measured at amortized cost are comprised of cash and cash equivalents, SaskCentral liquidity and Concentra Bank term deposits, portfolio bonds, member loans receivable and accrued interest thereon, and accounts receivable balances.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in comprehensive income. 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 comprehensive income. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) are subsequently measured at FVTPL. The Credit Union does not hold any debt instruments measured at FVTPL.

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 SaskCentral shares, Concentra Bank 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.

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.

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

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 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 comprehensive income. Such transactions include syndication transactions resulting in transfers qualifying for derecognition.

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.

3. 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 financial liabilities are recognized in comprehensive income.

Derecognition of financial liabilities

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

Offsetting

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

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

Collateral

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

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

Cash and cash equivalents

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

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.

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

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.

Canada Emergency Business Account ("CEBA")

Under the CEBA program, the Credit Union has provided interest-free loans until December 31, 2023 (and at a rate of 5% thereafter), funded by the Export Development Bank of Canada ("EDC"), to existing eligible small business members. As the Credit Union does not retain substantially all of the risks and rewards of the financial assets, and all cash flows are passed through to the EDC, these loans are derecognized from the Credit Union's statement of financial position.

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 costs to sell. Foreclosed assets are recorded in member loans receivable as outlined in Note 6.

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.

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

	Rate
Buildings	4 - 10 %
Computer software	25 - 33 %
Furniture and equipment	10 - 33 %

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 comprehensive income as other operating income or other operating costs, respectively.

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

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. 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.

Credit Union contributions to the defined contribution plan are expensed as incurred. Pension benefits of $199,539 (2021 – $192,929) were paid to the defined contribution retirement plan during the year.

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*.

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.

4. Cash and cash equivalents

	2022 ***$***	*2021* *$*
Cash	**14,087,188**	10,056,413
Cash equivalents	**1,000,000**	14,518,404
	15,087,188	24,574,817

5. Investments

	2022 ***$***	*2021* *$*
Measured at amortized cost		
SaskCentral liquidity and Concentra Bank term deposits	**109,203,759**	94,402,635
Portfolio bonds	**92,933,750**	82,522,552
Accrued interest	**1,105,360**	680,698
	203,242,869	177,605,885
Measured at fair value through profit or loss		
Concentra Bank preferred shares	**1,500,000**	1,500,000
SaskCentral shares	**3,080,948**	3,252,791
National Consulting shares	**20,000**	-
Other equity investments	**1,570,375**	655,230
Accrued interest	**13,679**	9,972
	6,185,002	5,417,993
Total	**209,427,871**	183,023,878

The table below shows the credit risk exposure on investments, excluding liquidity reserves and balances on deposit with SaskCentral and Concentra Bank. Ratings are as provided by Dominion Bond Rating Services ("DBRS") unless otherwise indicated.

	2022 ***$***	*2021* *$*
Investment portfolio rating		
AA	**34,281,360**	34,887,320
A	**39,042,916**	25,195,742
BB	**3,515,750**	3,539,375
BBB	**17,593,724**	20,400,115
R1	**3,080,948**	3,252,791
Unrated	**1,590,375**	655,230
	99,105,073	87,930,573

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.

Statutory liquidity

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

6. Member loans receivable

Principal and allowance by loan type:

2022 $

	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Consumer loans	15,588,908	186,075	(140,000)	(23,905)	**15,611,078**
Residential mortgages	61,707,205	-	-	(70,397)	**61,636,808**
Commercial loans	100,365,220	-	-	(408,777)	**99,956,443**
Agricultural loans	98,775,794	20,438	(20,000)	(105,416)	**98,670,816**
Local government loans	7,357,826	-	-	(799)	**7,357,027**
	283,794,953	206,513	(160,000)	(609,294)	**283,232,172**
Foreclosed assets	239,988	-	-	-	**239,988**
Accrued interest	1,275,062	4,698	-	-	**1,279,760**
Total	285,310,003	211,211	(160,000)	(609,294)	**284,751,920**

2021 $

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Consumer loans	17,537,248	188,549	(70,000)	(14,691)	17,641,106
Residential mortgages	61,250,229	-	-	(45,715)	61,204,514
Commercial loans	102,624,635	-	-	(462,817)	102,161,818
Agricultural loans	83,443,771	-	-	(85,511)	83,358,260
Local government loans	4,577,649	-	-	(560)	4,577,089
	269,433,532	188,549	(70,000)	(609,294)	268,942,787
Foreclosed assets	410,092	-	-	-	410,092
Accrued interest	1,117,625	749	-	-	1,118,374
Total	270,961,249	189,298	(70,000)	(609,294)	270,471,253

The allowance for loan impairment changed as follows:

	2022 $	*2021 $*
Balance, beginning of year	**679,294**	1,026,194
Provision for impaired loans	**340,000**	245,013
	1,019,294	1,271,207
Accounts written off, net of recoveries	**250,000**	591,913
Balance, end of year	**769,294**	679,294

7. Other assets

	2022 $	2021 $
Accounts receivable	**456,987**	366,020
Prepaid expenses and deposits	**216,382**	220,075
Deferred tax asset (Note 12)	**47,366**	49,765
Dividend receivable	**5,267,371**	-
	5,988,106	635,860

8. Property and equipment

	Land $	Buildings $	Computer software $	Furniture and equipment $	Total $
Cost					
Balance at December 31, 2020	**39,487**	**2,454,258**	**1,110,240**	**1,226,527**	**4,830,512**
Additions	**-**	**204,496**	**-**	**41,317**	**245,813**
Balance at December 31, 2021	**39,487**	**2,658,754**	**1,110,240**	**1,267,844**	**5,076,325**
Additions	**-**	**95,071**	**151,068**	**19,031**	**265,170**
Disposals	**-**	**(159,920)**	**-**	**-**	**(159,920)**
Balance at December 31, 2022	**39,487**	**2,593,905**	**1,261,308**	**1,286,875**	**5,181,575**
Depreciation and impairment losses					
Balance at December 31, 2020	**-**	**1,738,286**	**976,784**	**917,078**	**3,632,148**
Depreciation	**-**	**54,741**	**43,333**	**66,778**	**164,852**
Balance at December 31, 2021	**-**	**1,793,027**	**1,020,117**	**983,856**	**3,797,000**
Depreciation	**-**	**56,152**	**45,759**	**70,480**	**172,391**
Disposals	**-**	**(7,552)**	**-**	**-**	**(7,552)**
Balance at December 31, 2022	**-**	**1,841,627**	**1,065,876**	**1,054,336**	**3,961,839**
Net book value					
At December 31, 2021	39,487	865,727	90,123	283,988	1,279,325
At December 31, 2022	**39,487**	**752,278**	**195,432**	**232,539**	**1,219,736**

9. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at SaskCentral's prime minus 0.5% (2021 - prime minus 0.5%) in the amount of $9,500,000 (2021 - $7,500,000) from SaskCentral. At December 31, 2022, the Credit Union has utilized $nil (2021 - $nil) of its line of credit.

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

10. Member deposits

	2022	2021
	$	$
Chequing, Savings, Plan 24	**257,807,092**	246,983,863
Registered plans	**26,076,750**	25,698,377
Term deposits	**187,009,559**	171,987,999
Accrued interest	**2,557,229**	1,864,249
	473,450,630	446,534,488

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 1.40% (2021 - 0.55%).
- Registered savings plans are subject to fixed and variable rates of interest up to 5.00% (2021 - 3.60%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 5.20% (2021 - 3.60%), with interest payments due monthly, annually or on maturity.

11. Other liabilities

	2022	2021
	$	$
Accounts payable	**485,980**	436,724
Patronage refund payable	**1,269,150**	-
	1,755,130	436,724

12. Income tax

Income tax expense recognized in profit (loss)

The applicable tax rate is the aggregate of the federal income tax rate of 15% (2021 - 15%), and the provincial tax rate of 12% (2021 - 12%).

Deferred income tax expense recognized in profit (loss)

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

	2022 ***$***	*2021* *$*
Deferred tax asset		
Property and equipment	**19,889**	19,305
Venture investment income	**6,706**	12,119
Allowance for impaired loans	**20,771**	18,341
Deferred tax asset	**47,366**	49,765

Reconciliation between average effective tax rate and the applicable tax rate

	2022	*2021*
Applicable tax rate	**27.00 %**	27.00 %
Non-taxable and other items	**(15.07)%**	(0.42)%
Average effective tax rate (tax expense divided by profit before tax)	**11.93 %**	26.58 %

13. Membership shares and equity accounts

Authorized:

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

Issued:

	2022 ***$***	*2021* *$*
4,210 Common shares (2021 - 4,172)	**21,050**	20,860
2,366,344 Equity shares (2021 - 2,441,742)	**2,366,344**	2,441,742
Total	**2,387,394**	2,462,602

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. Equity accounts are established as a means of returning excess earnings to the members while maintaining the Credit Union's equity base. Each member of the Credit Union has one vote, regardless of the number of common shares held.

During the year, the Credit Union issued 221 (2021- 234) and redeemed 183 (2021 - 167) shares, and also issued 37,329 (2021 - 55,177) and redeemed 112,727 (2021 - 42,706) equity shares.

14. Patronage

The Board of Directors authorized a patronage refund of $1,269,150 (2021 - $60,000) as at December 31, 2022. The patronage refund approved by the Board of Directors was based on a percentage of the equity accounts held by each member during the fiscal year.

The patronage refund has been reflected in the statement of financial position as other liabilities with related tax savings of approximately $342,765 (2021 - $16,200) being reflected in the provision for income taxes.

15. Related party transactions

Key management compensation of the Credit Union

Key management of the Credit Union are are the CEO, CFO/CRO, Manager of Governance and Communications, Manager of Retail Operations, and members of the Board of Directors.

KMP remuneration includes the following expenses:

	2022	*2021*
	$	*$*
Salaries and short-term benefits	**797,157**	615,801
Other long-term benefits	**50,611**	37,548
Total remuneration	**847,768**	653,349

Transactions with key management personnel

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

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

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

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

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

	2022	*2021*
	$	*$*
Aggregate loans to KMP	**7,093,954**	6,440,245
The total value of revolving credit facilities to KMP	**1,125,000**	980,500
Less: approved and undrawn lines of credit	**(184,993)**	(175,564)
Less: membership shares and equity accounts	**(244,426)**	(91,252)
	7,789,535	7,153,929

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

	$	$
During the year the aggregate value of loans approved to KMP amounted to:		
Mortgages	**112,000**	112,000
Loans	**-**	269,056
	112,000	381,056

	2022 $	2021 $
Interest and expense transactions with KMP consisted of:		
Interest and other revenue earned on loans and revolving credit facilities to KMP	**202,985**	168,426
Total interest paid on deposits to KMP	**45,914**	61,027

	$	$
The total value of member deposits from KMP as at the year-end:		
Chequing, Savings, Plan 24	**9,315,978**	5,172,697
Term deposits	**1,680,444**	2,503,886
Registered plans	**602,404**	608,979
Total value of member deposits due to KMP	**11,598,826**	8,285,562

Directors' fees and expenses

	2022 $	2021 $
Honoraria and per diems	**36,088**	34,538
Reimbursement of expenses	**4,687**	3,125
Meeting, training and conference costs	**31,830**	14,628

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.

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

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

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

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

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

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

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

The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2022:

	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 %**	**6.50 %**

During the year, the Credit Union complied with all external capital requirements, however was offside on 3 internal capital requirements.

The following table summarizes key capital information:

	2022 ***$***	*2021* *$*
Eligible capital		
Total tier 1 capital	**38,457,473**	30,292,265
Total tier 2 capital	**2,996,689**	3,071,896
Total eligible capital	**41,454,162**	33,364,161

Risk-weighted assets

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

Total eligible capital to risk-weighted assets	**13.79 %**	11.66 %
Total tier 1 capital to risk-weighted assets	**12.80 %**	10.58 %
Common equity tier 1 capital to risk-weighted assets	**12.80 %**	10.58 %
Leverage ratio	**7.89 %**	6.82 %

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, 2022, the Credit Union is in compliance with regulatory requirements.

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
- 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

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

Credit Risk *(Continued from previous page)*

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 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.

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 customers. 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.

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

Credit Risk *(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	**40,767,140**	40,218,815
Guarantees and standby letters of credit	**125,000**	120,000
Commitments to extend credit	**8,958,450**	9,430,015
	49,850,590	49,768,830

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 considersconsiders 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.

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 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.

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

Credit Risk *(Continued from previous page)*

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

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

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of inflation and interest rate changes, based on information and facts available at December 31, 2022. 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 2023 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, 2022 were 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 when they have exhausted all attempts to obtain some of the loan back, 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. The contractual amount outstanding on financial assets which were written off during the year and continue to be subject to enforcement activity is $nil (2021 – $591,913).

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

Credit Risk *(Continued from previous page)*
Exposure to credit risk

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

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

	12-month ECL	*2022 Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
	$	*$*	*$*	
Consumer loans				
Low risk	**15,588,908**	**-**	**-**	**15,588,908**
Medium risk	**-**	**-**	**-**	**-**
Default	**-**	**-**	**186,075**	**186,075**
Total gross carrying amount	**15,588,908**	**-**	**186,075**	**15,774,983**
Less: loss allowance	**23,905**	**-**	**140,000**	**163,905**
Total carrying amount	**15,565,003**	**-**	**46,075**	**15,611,078**
Residential mortgages				
Low risk	**61,519,130**	**-**	**-**	**61,519,130**
Medium risk	**-**	**188,075**	**-**	**188,075**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount	**61,519,130**	**188,075**	**-**	**61,707,205**
Less: loss allowance	**67,569**	**2,828**	**-**	**70,397**
Total carrying amount	**61,451,561**	**185,247**	**-**	**61,636,808**
Commercial loans				
Low risk	**100,211,782**	**-**	**-**	**100,211,782**
Medium risk	**-**	**153,438**	**-**	**153,438**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount	**100,211,782**	**153,438**	**-**	**100,365,220**
Less: loss allowance	**403,773**	**5,004**	**-**	**408,777**
Total carrying amount	**99,808,009**	**148,434**	**-**	**99,956,443**
Agricultural loans				
Low risk	**98,309,958**	**-**	**-**	**98,309,958**
Medium risk	**-**	**465,836**	**-**	**465,836**
Default	**-**	**-**	**20,438**	**20,438**
Total gross carrying amount	**98,309,958**	**465,836**	**20,438**	**98,796,232**
Less: loss allowance	**101,014**	**4,402**	**20,000**	**125,416**
Total carrying amount	**98,208,944**	**461,434**	**438**	**98,670,816**

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

Local government loans				
Low risk	**7,357,826**	**-**	**-**	**7,357,826**
Medium risk	**-**	**-**	**-**	**-**
Default	**-**	**-**	**-**	**-**
Total gross carrying amount	**7,357,826**	**-**	**-**	**7,357,826**
Less: loss allowance	**799**	**-**	**-**	**799**
Total carrying amount	**7,357,027**	**-**	**-**	**7,357,027**
Total				
Low risk	**282,987,603**	**-**	**-**	**282,987,603**
Medium risk	**-**	**807,350**	**-**	**807,350**
Default	**-**	**-**	**206,513**	**206,513**
Total gross carrying amount	**282,987,603**	**807,350**	**206,513**	**284,001,466**
Less: loss allowance	**597,060**	**12,234**	**160,000**	**769,294**
Total carrying amount	**282,390,543**	**795,116**	**46,513**	**283,232,172**

	2021			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
	$	*$*	*$*	
Consumer loans				
Low risk	17,495,476	-	-	17,495,476
Medium risk	-	41,772	-	41,772
Default	-	-	188,549	188,549
Total gross carrying amount	17,495,476	41,772	188,549	17,725,797
Less: loss allowance	14,537	154	70,000	84,691
Total carrying amount	17,480,939	41,618	118,549	17,641,106
Residential mortgages				
Low risk	60,989,510	-	-	60,989,510
Medium risk	-	105,203	-	105,203
Default	-	-	155,516	155,516
Total gross carrying amount	60,989,510	105,203	155,516	61,250,229
Less: loss allowance	45,328	387	-	45,715
Total carrying amount	60,944,182	104,816	155,516	61,204,514
Commercial loans				
Low risk	102,624,635	-	-	102,624,635
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	102,624,635	-	-	102,624,635
Less: loss allowance	462,817	-	-	462,817
Total carrying amount	102,161,818	-	-	102,161,818

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

Agricultural loans				
Low risk	83,412,424	-	-	83,412,424
Medium risk	-	-	-	-
Default	-	-	31,347	31,347
Total gross carrying amount	83,412,424	-	31,347	83,443,771
Less: loss allowance	85,511	-	-	85,511
Total carrying amount	83,326,913	-	31,347	83,358,260
Local government loans				
Low risk	4,577,649	-	-	4,577,649
Medium risk	-	-	-	-
Default	-	-	-	-
Total gross carrying amount	4,577,649	-	-	4,577,649
Less: loss allowance	560	-	-	560
Total carrying amount	4,577,089	-	-	4,577,089
Total				
Low risk	269,099,693	-	-	269,099,693
Medium risk	-	146,976	-	146,976
Default	-	-	375,412	375,412
Total gross carrying amount	269,099,693	146,976	375,412	269,622,081
Less: loss allowance	608,753	541	70,000	679,294
Total carrying amount	268,490,940	146,435	305,412	268,942,787

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 Ogema, Saskatchewan and surrounding areas.

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

Credit Risk *(Continued from previous page)*
Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
	$	*$*	*$*	
Consumer loans				
Balance at December 31, 2021	**14,537**	**154**	**70,000**	**84,691**
Net remeasurement of loss allowance	**9,368**	**(154)**	**70,000**	**79,214**
Balance at December 31, 2022	**23,905**	**-**	**140,000**	**163,905**
Residential mortgages				
Balance at December 31, 2021	**45,328**	**387**	**-**	**45,715**
Net remeasurement of loss allowance	**22,241**	**2,441**	**-**	**24,682**
Balance at December 31, 2022	**67,569**	**2,828**	**-**	**70,397**
Commercial loans				
Balance at December 31, 2021	**462,817**	**-**	**-**	**462,817**
Net remeasurement of loss allowance	**(59,044)**	**5,004**	**-**	**(54,040)**
Balance at December 31, 2022	**403,773**	**5,004**	**-**	**408,777**
Agricultural loans				
Balance at December 31, 2021	**85,511**	**-**	**-**	**85,511**
Net remeasurement of loss allowance	**15,503**	**4,402**	**20,000**	**39,905**
Balance at December 31, 2022	**101,014**	**4,402**	**20,000**	**125,416**
Local government loans				
Balance at December 31, 2021	**560**	**-**	**-**	**560**
Net remeasurement of loss allowance	**239**	**-**	**-**	**239**
Balance at December 31, 2022	**799**	**-**	**-**	**799**
TOTAL				
Balance at December 31, 2021	**608,753**	**541**	**70,000**	**679,294**
Net remeasurement of loss allowance	**(5,186)**	**5,186**	**90,000**	**90,000**
Balance at December 31, 2022	**603,567**	**5,727**	**160,000**	**769,294**

FInancial instruments for which the impairment of IFRS 9 do not apply

The carrying amount of SaskCental, Concentra Bank, and National Consulting 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 decrease net interest income by $755,000 (2021 - $142,000) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would increase net interest income by $755,000 (2021 - $142,000) 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 re – pricing or maturity dates of loans and investments and members' savings and 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 members' savings and 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 re – price 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 re – pricing date or maturity date. The schedule below does not identify management's expectations of future events where re – pricing and maturity dates differ from contractual dates.

(In thousands $)

	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-Interest Sensitive	2022 Total	2021 Total
Assets							
Cash and cash equivalents	1,616	1,000	-	-	12,471	**15,087**	24,575
Average yield %	*4.38*	*2.50*	-	-	-	*0.63*	*0.16*
Accounts receivable	-	-	-	-	5,724	**5,724**	350
Investments	20,354	9,750	36,434	136,356	6,534	**209,428**	183,024
Average yield %	*4.42*	*2.58*	*3.64*	*2.56*	-	*2.85*	*1.43*
Member loans receivable	42,574	16,191	29,161	195,537	1,289	**284,752**	270,471
Average yield %	*6.65*	*6.70*	*5.58*	*3.91*	-	*4.63*	*3.58*
Subtotal	**64,544**	**26,941**	**65,595**	**331,893**	**26,018**	**514,991**	478,420
Liabilities							
Member deposits	134,323	24,453	107,185	97,740	109,750	**473,451**	446,534
Average yield %	*0.99*	*1.42*	*2.81*	*3.03*	-	*1.62*	*1.05*
Other liabilities	-	-	-	-	1,755	**1,755**	437
Membership shares	-	-	-	-	21	**21**	21
Member equity accounts	-	-	-	-	2,366	**2,366**	2,442
	134,323	**24,453**	**107,185**	**97,740**	**113,892**	**477,593**	449,434
Net sensitivity	**(69,779)**	**2,488**	**(41,590)**	**234,153**	**(87,874)**	**37,398**	28,986

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.

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; 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, 2022:

	(In thousands $)			
	< 1 year	**1-2 years**	**> 3 years**	**Total**
Member deposits	**375,711**	**34,379**	**63,361**	**473,451**
Other liabilities	**1,755**	**-**	**-**	**1,755**
Membership shares and equity accounts	**2,387**	**-**	**-**	**2,387**
Total	**379,853**	**34,379**	**63,361**	**477,593**

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

Liquidity risk *(Continued from previous page)*
As at December 31, 2021:

(In thousands)

	< 1 year	1-2 years	> 3 years	Total
Member deposits	321,804	52,843	71,887	446,534
Other liabilities	437	-	-	437
Membership shares and equity accounts	2,463	-	-	2,463
Total	324,704	52,843	71,887	449,434

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 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				
Other equity investments	**1,570**	**-**	**-**	**1,570**
Concentra Bank shares	**1,500**	**-**	**1,500**	**-**
SaskCentral shares	**3,081**	**-**	**3,081**	**-**
National Consulting shares	**20**	**-**	**20**	**-**
Total financial assets	**6,171**	**-**	**4,601**	**1,570**

in thousands	*Fair Value*	*Level 1*	*Level 2*	*2021 Level 3*
	$	$	$	$
Financial assets				
Other equity investments	655	-	-	655
Concentra Bank shares	1,500	-	1,500	-
SaskCentral shares	3,253	-	3,253	-
Total financial assets	5,408	-	4,753	655

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	***2022***	*2021*
	$	*$*
Balance, beginning of year	**655**	209
Purchases / issuance	**580**	446
Unrealized gains (losses) recorded in income	**400**	-
Sales / settlements	**(65)**	-
Balance, end of year	**1,570**	655

There were no other transfers between Level 1, Level 2 and/or Level 3 in 2022 or 2021.

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

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

					2022
in thousands	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***Level 3***
	$	**$**	**$**	**$**	**$**
Financial assets measured at amortized cost					
Cash and cash equivalents	**15,087**	**15,087**	**15,087**	**-**	**-**
Investments	**203,243**	**197,018**	**-**	**197,018**	**-**
Member loans receivable	**284,752**	**272,270**	**-**	**272,270**	**-**
Accounts receivable	**456**	**456**	**-**	**456**	**-**
Dividend receivable	**5,267**	**5,267**	**-**	**5,267**	**-**
Total financial assets	**508,805**	**490,098**	**15,087**	**475,011**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**473,451**	**469,984**	**-**	**469,984**	**-**
Other liabilities	**1,755**	**1,755**	**-**	**1,755**	**-**
Membership shares	**21**	**21**	**-**	**-**	**21**
Equity accounts	**2,366**	**2,366**	**-**	**-**	**2,366**
Total financial liabilities	**477,593**	**474,126**	**-**	**471,739**	**2,387**

					2021
In thousands	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*Level 3*
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	24,575	24,575	24,575	-	-
Investments	177,605	180,362	-	180,362	-
Member loans receivable	270,471	266,587	-	266,587	-
Accounts receivable	350	350	-	350	-
Total financial assets	473,001	471,874	24,575	447,299	-
Financial liabilities					
Member deposits	446,535	451,558	-	451,558	-
Other liabilities	437	437	-	437	-
Membership shares	21	21	-	-	21
Equity accounts	2,442	2,442	-	-	2,442
Total financial liabilities	449,435	454,458	-	451,995	2,463

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, dividend 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 using 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 an option to automatically renew for an additional three years 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 annual operating fees for the year ended December 31, 2022 were $181,332 (2021 - $182,508) and recorded as an expense.

In 2019, the Credit Union entered into an agreement to purchase units in the Conexus Venture Capital (CVC) Fund 1 LP. The Credit Union makes advances to the Fund when requested which decreases the 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 $311,871 (2021 - $376,428) of their total commitment of $500,000 to the CVC Fund 1 LP.

In 2021, the Credit Union entered into an agreement to purchase units in the MDL Real Estate Income Fund GP Inc. The Credit Union makes advances to the Fund when requested which decreases the 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 $501,167 (2021 - $271,057) of their total commitment of $1,000,000 to the MDL Real Estate Income Fund GP Inc.

20. Canada Emergency Wage Subsidy ("CEWS")

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualification and application of the CEWS is assessed over multiple four-week application periods. During the year, the Credit Union applied and received for $nil (2021 - $74,824) as part of this subsidy.

21. Canada Emergency Business Account Program

As of December 31, 2022, the Credit Union had funded approximately $8.4 million (2021 - $9.2 million) in loans under the CEBA program. The Credit Union has no exposure to loss from these CEBA loans.

22. Comparative figures

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

23. Events after the reporting period

On April 26, 2022, the membership of Radius Credit Union and Earl Grey Credit Union voted in favour of an amalgamation. The amalgamation was approved by the Credit Union Deposit Guarantee Corporation pursuant to subsection 307(2)(d) of the Act on July 14, 2022, with the newly amalgamated Credit Union operating as Radius Credit Union Limited effective January 1, 2023.

The assets and liabilities of Earl Grey Credit Union constitutes a business and will be accounted for using the acquisition method of accounting. The Credit Union has been identified as the acquirer, acquiring 100% of the voting equity interest of Earl Grey Credit Union (the acquiree). The results of the acquired business will be included in the consolidated financial statements from the date of aquisition.

There will be no consideration transferred in order to amalgamate the credit unions. In the absence of consideration transferred, the fair value of the interest in the acquired entity will be calculated using the amalgamation date fair value of the equity interest of the acquired entity. In addition, the fair value of the acquiree's net assets will be recognized as a direct addition to contributed surplus on the consolidated statement of financial position.

The final assessment of fair value of identifiable assets acquired and liabilities assumed at the date of acquisition is in progress as of the date of the financial statements.