ANNUAL REPORT

Luseland CREDIT UNION

2024

Bank smarter. Stay local.

AGENDA

Luseland Credit Union Ltd
Annual Meeting
March 18, 2025

- Registration
- Confirmation of Quorum
- Nomination of Chairperson and Secretary
- Adoption of Agenda
- Reading and Approval of lasts year's minutes
- Business Arising from Minutes
- Election of Officers (only members 16 years and over may vote)
- President's Report
- Manager's Report
- Report of Auditors and Financial Statements
- Adoption of Reports
- Appointment of Auditors
- Presentations of Long Service
- Election Results
- Other Business
- Adjournment
- Coffee & Dessert

Luseland Credit Union Limited

Incorporated: June 5, 1963 Credit Union Charter No. 347

OFFICERS

President:	Robert Prieston
Vice President:	Debra Scholer
Secretary:	Ryley Magnus
Treasurer:	Adam Franko

STAFF

NAME	***POSITION***	***YEARS OF SERVICE*** LCU	System
Mickayla Belliveau	Loans Officer	7	7
Virginia Brice	Lending Administrator	2	2
Jill Cummings	Back Office Administrator	2	2
Michelle Eurich	Documentation Clerk	19	19
Adam Franko	General Manager	17	22
Jean Halliday	Member Services Representative	45	48
Michelle Henderson	Loans officer	2	19
Greg Mackie	Loans Officer	4	12
Ryley Magnus	Controller	7	7
Angela Reiter	Marketing Coordinator	27	27
Lisa Robinson	Member Services Representative	3	3
Alyssa Underdahl	Office Manager	16	16

DIRECTORS

NAME	***OCCUPATION***	***COMMITTEE***	***TERM***
Robert Prieston	Engineer	Executive/Crisis Management Audit/Risk/Conduct Review	2025
Brent Laturnus	Farmer	Executive/Policy/Scholarship	2025
Phyllis German	Retired Banker	Policy/Scholarship/Governance	2025
Daniel Holman	Farmer	Audit/Risk/Conduct Review	2026
Karen Mitzel	Income Tax Preparer	Audit/Risk/Conduct Review/ Governance	2026
Alan Olfert	Farmer	Governance/Audit Risk/Conduct Review	2026
Brian Gottfried	Farmer	Executive/ Crisis Management / Workplace Violence & Harassment	2027
Debra Scholer	Photographer/ Receptionist	Executive/Crisis Management/ Governance/ Workplace Violence & Harassment/Scholarship	2027
Sharon Stang	Farmer	Policy/Scholarship	2027

Facts About Saskatchewan Credit Unions

- Today there are 30 provincial credit unions and one federal credit union in communities across Saskatchewan.
- Credit unions offer financial products and services to close to 445,000 members.
- Saskatchewan credit union assets reached $28 billion with revenue of over $1.5 billion.
- Credit union lending amounts were over $21 billion.
- 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 $49.34 million to more than $8.3 billion.
- In 2024, Saskatchewan credit unions returned over $10.5 million to their members in the form of patronage equity contribution and dividends.
- Provincial credit unions are a major contributor to Saskatchewan's economy, employing close to 3,000 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention.

Luseland
CREDIT UNION

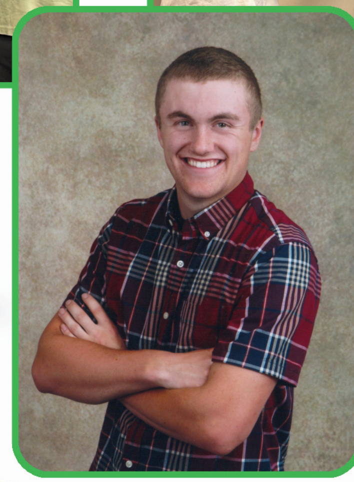
LCU kicked off the year with our annual Ag Outlook Session, bringing together local farmers to discuss industry trends and prepare for the year ahead. In March, during our AGM, we proudly recognized the dedication of our staff and directors with long-term service awards.

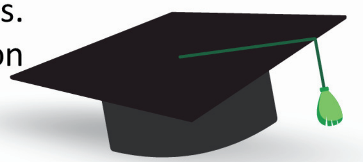
At LCU, we believe in investing in our community, and we were proud to support the Luseland Bell Acres Golf Club with a donation to help fund their new sprinkler system. This project enhanced the course's maintenance, ensuring lush greens and an improved playing experience for golfers of all ages.

Spring provided another opportunity to give back to our members with our Annual BBQ. With great weather on our side, we served over 200 hamburgers and enjoyed a fantastic turnout.

One of the highlights of our year is celebrating our graduating class. We believe in supporting our students throughout their educational journey, from classroom financial literacy presentations to our Ready, Set, Succeed program. We are committed to ensuring our youth step into the world after graduation confident and prepared for their futures.

Our dedication to education extends beyond our local classrooms. In 2024, LCU proudly awarded three scholarships totaling $8,000 to deserving students. Congratulations to Ryan Lannigan, Madison Matwick, and Cody McKenzie!





On Canada Day, LCU had a blast hosting our Petting Zoo, where kids (and adults!) enjoyed interacting with the animals. Our staff also stepped up to flip burgers at the booth, making it a memorable day for all.

Luseland Credit Union remains committed to serving our members and our vibrant community!

Luseland
CREDIT UNION

701 Grand Ave.
P.O.Box 518
Luseland, SK
S0L 2A0

Minutes of the 60th Annual Meeting of the
Luseland Credit Union Ltd: March 26, 2024

General Manager Adam Franko opened the 60th Annual Meeting at 7:32 pm by welcoming everyone to the meeting. Franko thanked and introduced each LCU staff. It was noted that a quorum was present and the meeting could proceed.

Franko called the annual meeting to order and opened the floor for nominations for chair. Marj Reiter / Victor Delhommeau nominated Bob Prieston. Debra Scholer moved nominations cease. Carried. Brent Honeker / Jean Halliday nominated Ryley Magnus as Secretary. Alyssa Underdahl moved nominations cease. Carried.

Adoption of Agenda: Moved by Lyle Honeker / Niel Scholer the agenda be adopted as presented. Carried.

Minutes: The minutes of the March 28, 2023, meeting were read.

Moved by Micheal Hagel / Neil Scholer the minutes be adopted as read. Carried.

Election of Officers: Debra Scholer, on behalf of the Governance Committee, presented the following names: Brian Gottfried, Debra Scholer, and Sharon Stang.

Moved by Shirley Chenier / Alyssa Underdahl they be elected by acclamation. Carried.

PRESENTATION OF REPORTS
President's Report: Bob Prieston presented the President's Report.

Management's Discussion and Analysis: Adam Franko presented the Management's Discussion and Analysis reviewing the financial highlights for 2023.

Auditors' Report: Ryley Magnus presented the Auditors' Report.

Financial Statements: Ryley Magnus presented the audited financial statements for the year ended December 31, 2023 to the membership.

Adoption of Reports: Moved by Micheal Hagel / Debra Scholer the reports be adopted as presented. Carried.

Appointment of Auditors: Moved by Dan Holman / Phyllis German we appoint MNP LLP as Auditors for 2024. Carried.

Other Business: Nothing to repott.

Presentations of Long Service: Bob Prieston thanked Daniel Holman for his 5 years of service.

Adam Franko thanked Alyssa Underdahl for her 15 years of service.

Moved by Charlie Boser that we adjourn at 8:31 pm. Carried.

Attendance: 32

Door prize winners were:

Blanket: Jackson Gottfried
Toque & gloves: Micheal Hagel
Toque & gloves: Marjorie Reiter
Toque & gloves: Bob Prieston
Grain scoop & cleaning wipes: Alan Olfert
Grain scoop & cleaning wipes: Sharon Stang
Hat & gloves: Charlie Boser
Hat: Collins Gottfried
Hat: Emily Franko
Bunny hug: Karen Mitzel
Bunny hug: Phyllis German
Thermos: Owen Franko
Water jug: Dan Holman
Cooler: Adam Gottfried

President's Report

Welcome to the 61st Annual General Meeting of Luseland Credit Union Limited (LCU). The participation of our members is important to the success of the annual general meeting and we truly appreciate your time and attendance this evening. It is my pleasure to present this report to the membership.

Total assets as at December 31, 2024, were $166,357,897. Due to the strong financial results this past year, we were able to once again return a patronage rebate of $300,000 to our members. This rebate was provided on interest paid by members on loans and lines of credit, as well as a bonus on interest received by the members in their accounts in 2025.

Our mission statement is ***Inspiring your dreams. Financing your goals. Building our community***. Inspiring your dreams, by helping to finance your goals, continues to be paramount in our mission to you, the members. Maintaining personable in branch service, with the option of convenient, remote banking, all with no associated fees for most of our services, remains a very significant priority of our LCU. Additionally, building our community continued to be important, by providing monetary contributions and volunteer support time to numerous community initiatives. Donations in 2024 totaled $55,137 to numerous organizations and projects in our area, including the Bell Acres Irrigation Project, the Luseland Arena Zamboni and the Denzil Curling rink improvements. We also were proud to provide volunteer support time to community initiatives such as Luseland District School's breakfast program, working a shift at the concession at Luseland's Canada Day celebration, participating in Luseland's Harvest Festival, assisting with Luseland District School's pancake breakfast, sponsoring and hosting a Luseland Senior Mallards hockey game, sponsoring and hosting a movie at Luseland Theatre, Christmas caroling at Kerrobert Long-Term Care and Pioneer Haven, and serving turkey dinner at Luseland District School alongside Luseland District School Community Council.

The board is very proud of our staff as they are what keep us successful and create the friendly and helpful atmosphere the members enjoy. On behalf of the Board of Directors, I want to express my gratitude to our staff for all of their endless hard work and dedication. Additionally thank you to Adam Franko in his leadership as our General Manager, ensuring the success of the LCU for our membership.

I want to recognize my fellow board members for your exceptional commitment to the direction of the LCU, as well as keeping yourself educated about the overall operations of successful credit unions. Your dedication as representatives of our membership has been, and will continue to be, vital in the effective guidance as a Board to continue to ensure the overall success of the LCU.

Finally, I want each member to know that your support and loyalty is valued and appreciated. It is you, as each and every important member, that continues to provide the foundation for what makes us the strong credit union that we are today!

Bob Prieston
President of the Board of Directors

Management's Discussion and Analysis

Mission

Inspiring your dreams. **Financing** your goals. **Building** our community.

Our Corporate Values

Community: Involved in every aspect.

Service: Quality beyond expectation.

Knowledgeable: We have the answer.

Responsibility: Accountable to our members.

Respect: Everyone is equal.

Team: Successful together.

Credit Union Market Code

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

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

Our Co-operative Principles

As a true co-operative financial institution, LCU 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-held organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

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

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

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

Who We Are

LCU is an independent Saskatchewan credit union owned by our members. Under the current provincial credit union legislation, LCU provides financial services to members and non-members. At December 31, 2024, LCU had 1,852 members and 0 non-members (2023 – 1,816 members and 0 non-members). Non-members do not participate in the democratic processes of the credit union nor the patronage program.

LCU serves the community of Luseland and surrounding area through a single branch. In this community and surrounding area, we provide a range of financial services including personal, agricultural, and commercial accounts, loans, mortgages, creditor insurance, and investment products.

Where Are We Going

The vision of LCU is to be the leading provider of a complete range of financial services in the town and surrounding area of Luseland, Saskatchewan. To monitor specific objectives throughout the year that support this vision, we have developed a strategic plan that outlines short and long-term goals for LCU. Progress to the plan is measured by quarterly reporting to the board by management on the completion of specific goals.

Our key strategic objectives in 2024, were:

1) Maintain profitability and sustainable growth,
2) Continue to build strong relationships with our members and community,
3) Ensure we have the products and services our members want and identify opportunities to collaborate with others to deliver those services, and
4) Continue to make sure we have highly trained, effective people in place to deliver the best member service.

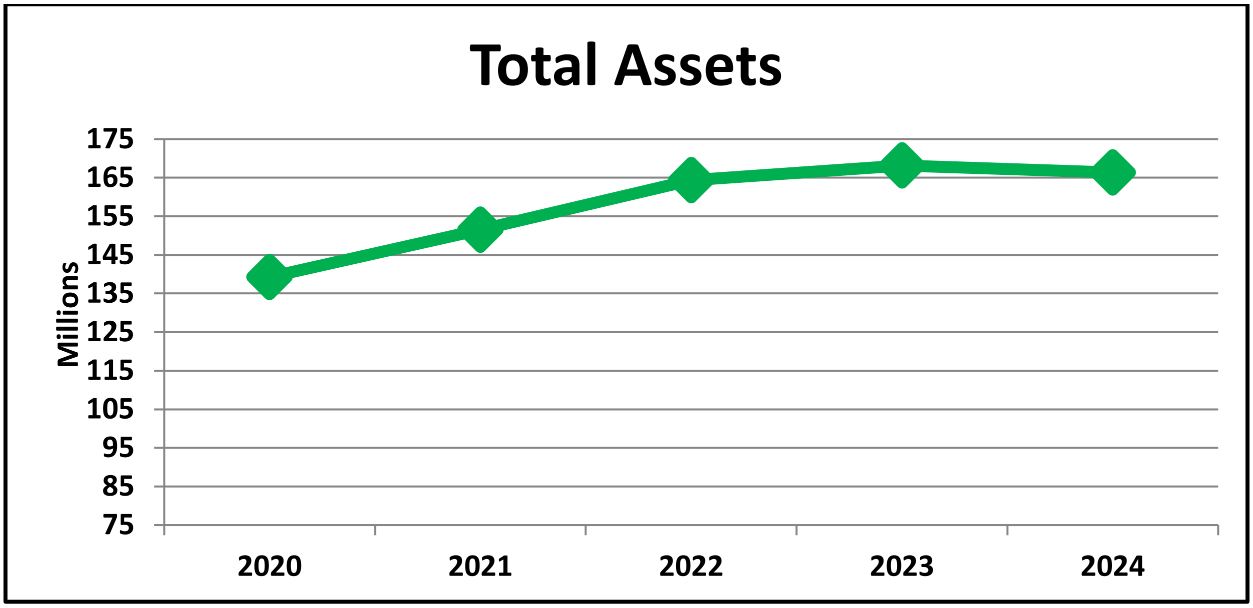
We, at LCU, are pleased to continue to meet and exceed our strategic objectives in 2024. We were able to generate a profit before patronage of $2,202,978 and increase our retained earnings (leverage) by 10.24%. We continued to build strong relationships by welcoming 89 new members to LCU, granting 242 loans to our members, donating over $55,000 dollars to worthwhile causes, and being a leader at community events whenever we can.

Building and maintaining strong relationships is at the core of our business. Meeting the goal of our vision requires LCU to always continue to focus on relationships; relationships with potential members, current members, other Credit Unions, our staff, our community and many more. We look forward to continuing to build upon and strengthen our relationships.

Financial Performance

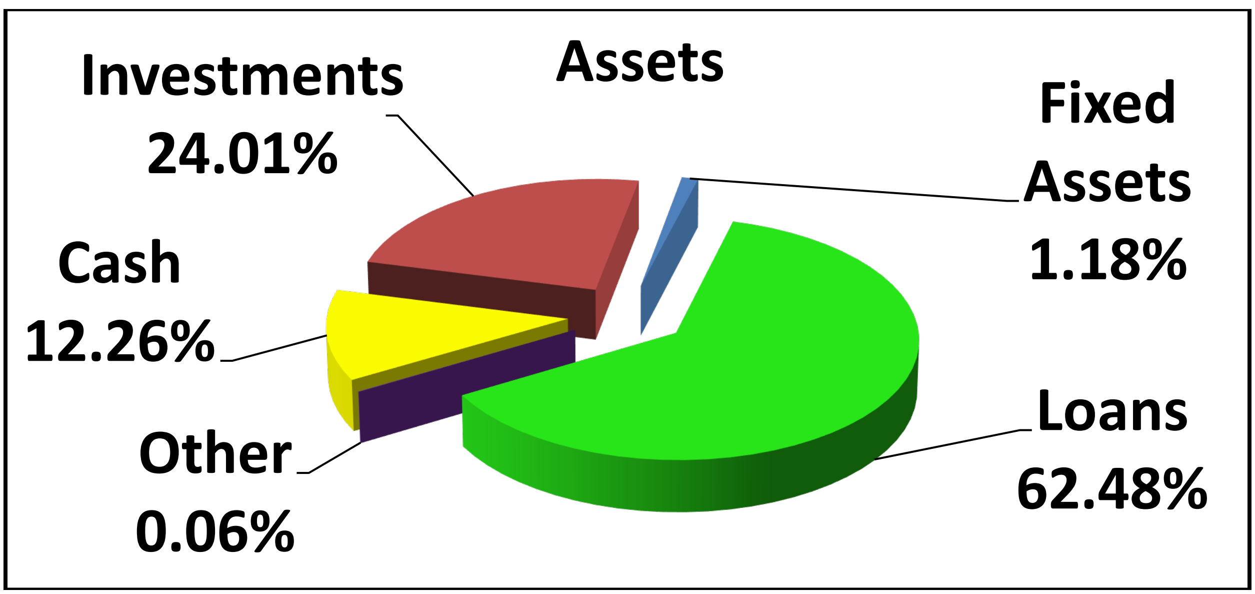
Statement of Financial Position

Total assets trended downward slightly in 2024 with a decrease of 1.06% or $1.78 million (2023 – increase of 2.29% or $3.76 million) and this resulted in total assets of $166.36 million (2023 - $168.14 million). In the past five years LCU's total assets have increased by $40.16 million (31.83%).



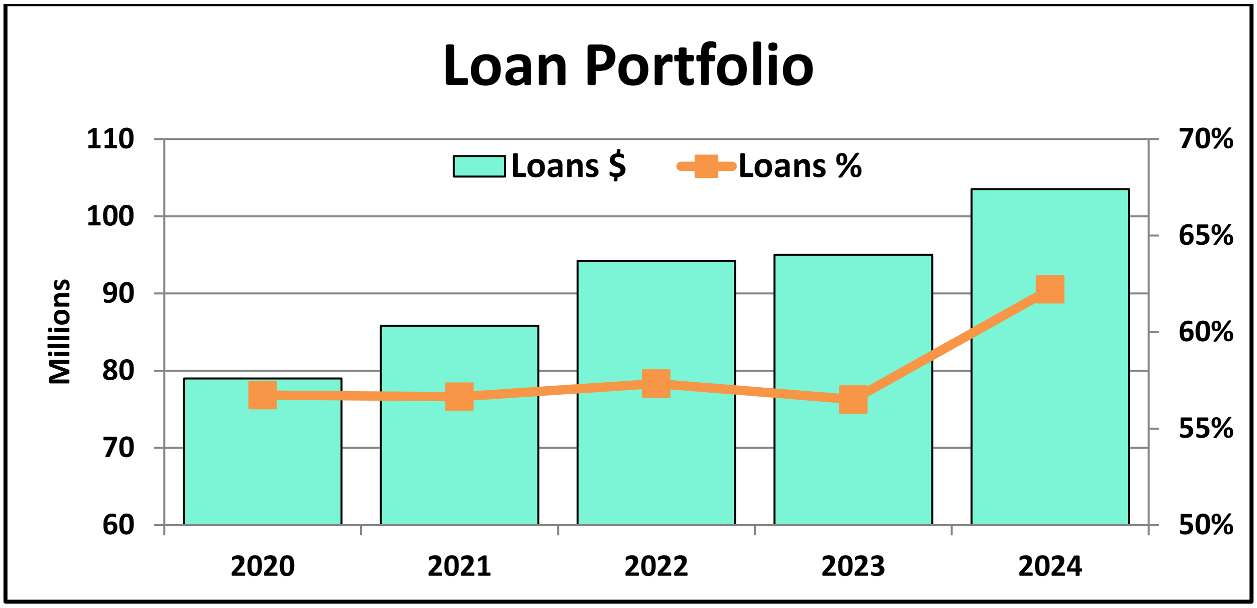
Assets

LCU's asset composition remained stable for 2024 with moderate movement from investments into cash accounts and member loans. The loan portfolio increased $8.47 million and as percentage of total assets increased to 62.48% (2023 – 56.78%). The amount of corporate investments held by LCU decreased to 24.01% (2023 – 33.63%) and fixed assets decreased to 1.18% (2023 – 1.23%) due to depreciation on LCU's capital assets and an increase in total assets. LCU continued to explore opportunities to increase the size of the loan portfolio through local loan specials as well as collaborations with our peer credit unions.



Loan Portfolio

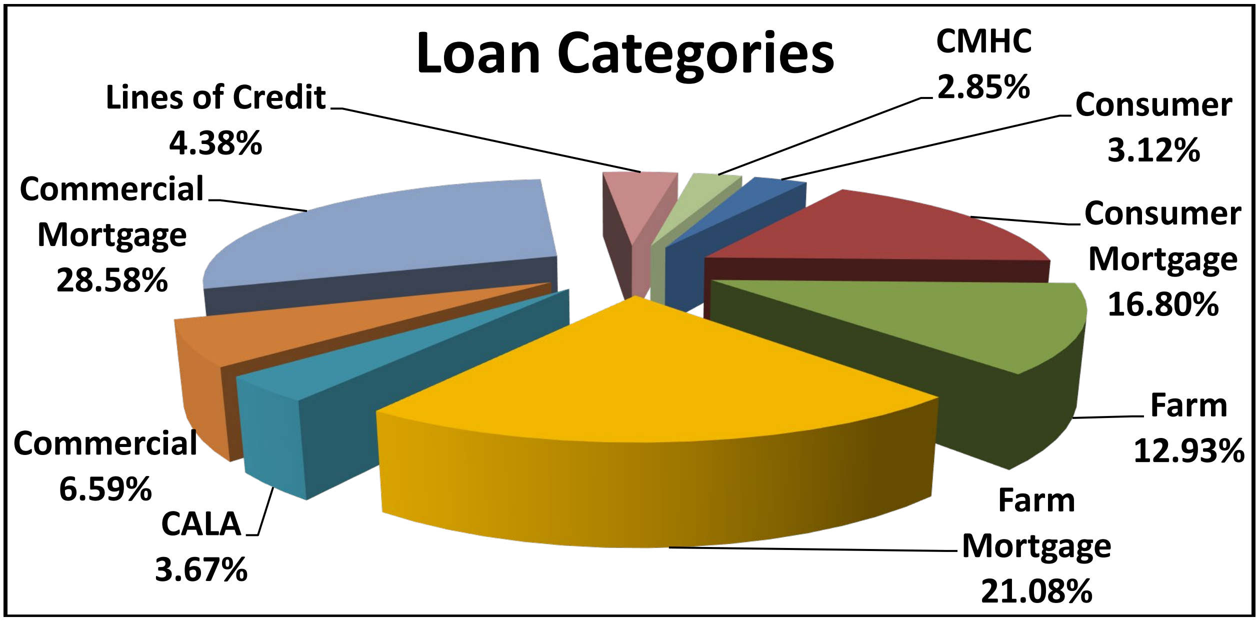
2024 was a good year for the loan portfolio as it increased 8.87% (2023 – 1.11%) with loans generated in-house continuing to be the primary driver for the growth. Loan demand was spread across all three categories: Consumer, Agricultural, and Commercial. LCU has been able to further expand into the cities through referrals from existing members and the utilization of a commercial broker. The total amount of loans outstanding at the end of the year was $103.95 million (2023 – $95.48 million) and marked a milestone for LCU, cresting $100 million in loans for the first time. During the year, LCU's lenders approved 242 new loans and lines of credit for almost $52 million dollars (2023 – 217 new loans and lines of credit for over $64 million). The lending department continues to look for new loan prospects by seeking out local lending opportunities, purchasing loans from other Credit Unions, and offering interest rate specials. These strategies were successful in 2024 and will continue through 2025.



In 2024, there was an increase in the amount of agricultural loans as a percentage of the entire portfolio and that led to a decrease in commercial and consumer loans as a percentage. The portfolio was comprised of 39.40% agricultural loans (2023 – 37.83%), 36.78% commercial loans (2023 – 38.07%), and 23.82% consumer loans (2023 – 24.04%). Overall, the portfolio remained well diversified in all three categories and the amount of the loans secured by mortgage security increased throughout the year (86.27% compared to 75.52% in 2023). Loan delinquency greater than 90 days increased in 2024 to 1.73% (2023 – 0.15%) and is expected to return to historical levels in 2025 as delinquent files are concluded. LCU's loan delinquency is above the Saskatchewan Credit Union system average of 0.75%. Our staff work diligently on delinquent files to reduce potential losses and use strong, prudent credit granting policies that reduce the probability of credit defaults overall.

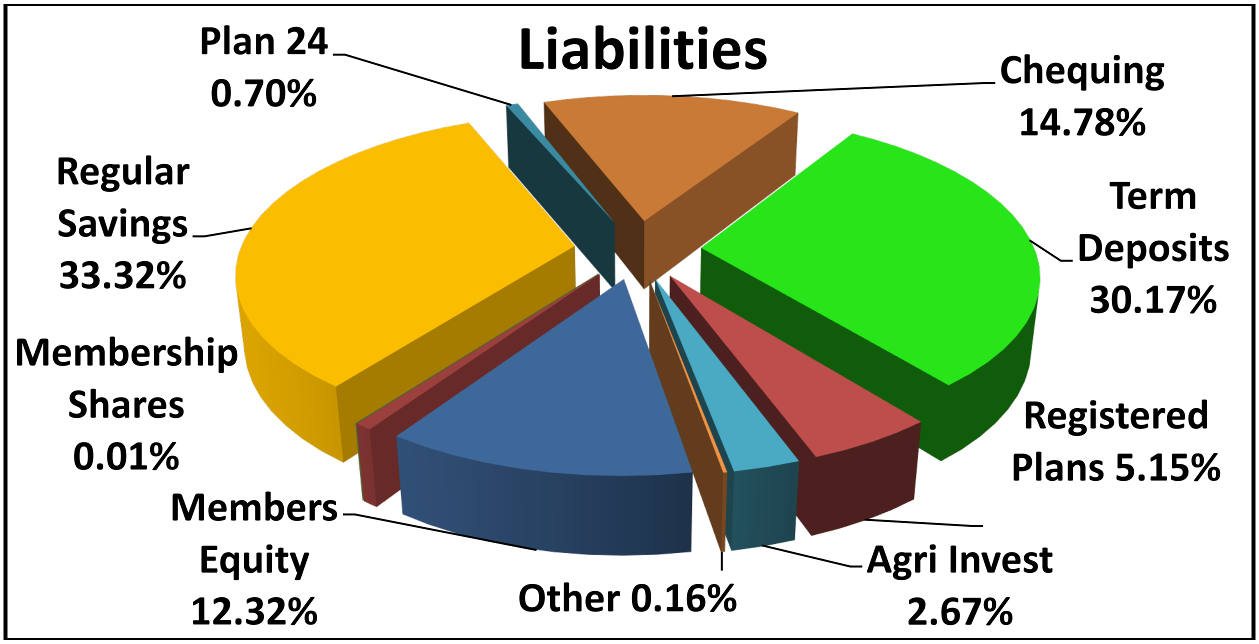
LCU establishes an allowance for potential loan losses, and it is split into specific and general categories. There were four loans that LCU maintained a specific allowance for in 2024 and the total principal and interest impaired was $1,667,132 (2022 – eight loans totaling $2,279,242). All four loans are delinquent with respect to their payments and LCU has deemed there is heightened risk with the files and felt it was prudent to set up a specific allowance of $705,000 (2023 - $462,820) in case of a default. LCU's general allowance represents the risk that some loans in our entire portfolio may default and cause a loss. LCU's general allowance for 2024 increased to $261,558 (2023 - $220,174) due to changes to financial-economic indicators that are used to predict the likelihood of a loan defaulting. These two allowances allow LCU to manage credit losses over a period of time to smooth the effect on the financial statement and are part of a prudent credit management strategy.

In 2024, LCU held no foreclosed property (2023 – no foreclosed property).



Liabilities

In 2024, member deposits decreased 2.41% (2023 – 0.87%) to $145.59 million (2023 - $149.18 million). The liability breakdown changed in 2024 with increases in term deposits 30.17% (2023 – 28.28%), members equity 12.32% (2023 – 11.06%), and chequing 14.78% (2023 – 13.29%) and decreases in regular savings 33.32% (2023 – 38.56%). With decreasing interest rates in 2024 compared to recent years, members chose to move funds from regular savings into term deposits. Regular savings accounts continue to hold the largest percentage of deposits, by a slight margin, at 33.32% (2023 – 38.56%) of liabilities.



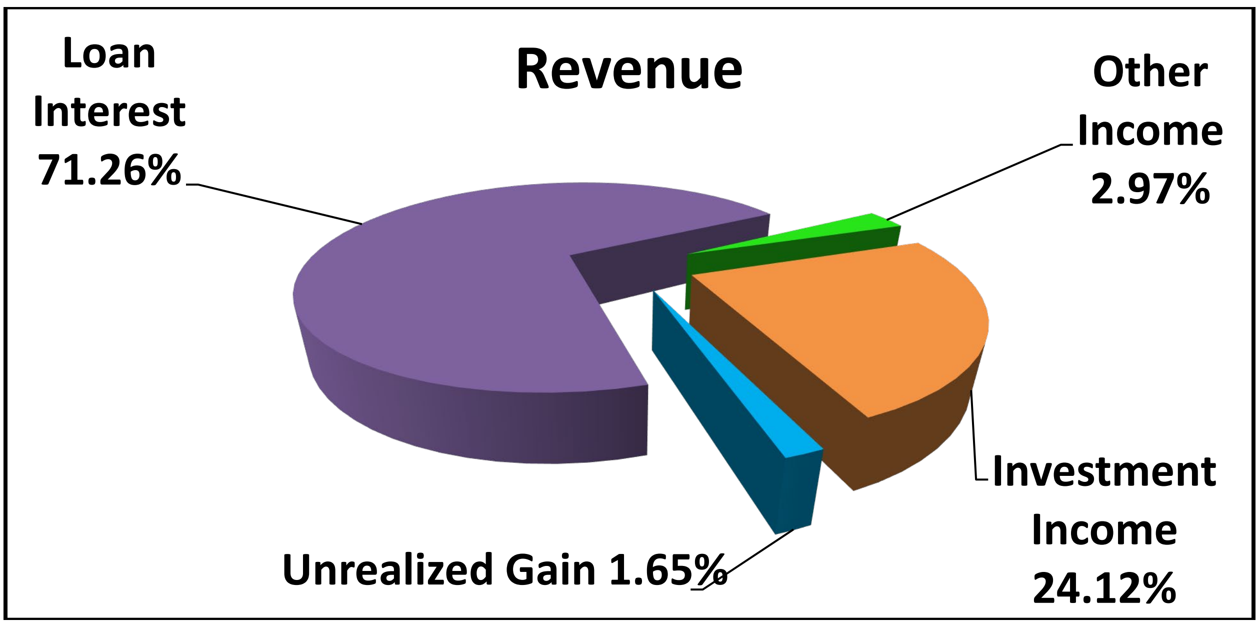
Statement of Comprehensive Income

In 2024, LCU focused on expanding our relationships with existing members and building relationships with new members. LCU also held numerous educational sessions including Ag Outlook, Mobile Device Privacy & Security, comprehensive banking and financial information for Grade 12 students, and all about credit and loans for Grade 11 students.

Revenue

LCU's primary business as a financial institution is to provide deposit accounts to our members and then to use those funds to generate loans and invest the remaining amount. The revenue from those activities can be split into four primary categories: Loan Interest, Investment Income, Unrealized Gains on Investments, and Other Income. In 2024, the Bank of Canada decreased their policy interest rate five times for a total decrease of 1.75%. LCU decreased its prime lending rate 1.25% during the same period. In the previous fiscal year, LCU's prime lending rate was 0.50% below the prime rate of the Canadian chartered banks. LCU previously maintained its prime lending below market rates to provide interest and payment relief for members during a time of higher-than-historical interest rates.

The rates of return on the loan and investment portfolios both experienced downward movement in 2024, finishing the year at 6.72% (2022 – 6.85%) and 3.75% (2022 – 3.77%) respectively. These rates of return were directly impacted by the interest rate decreases throughout 2024. LCU's prime rate returned to being in line with the chartered banks' prime on October 23, 2024. LCU was proud to be able to post a prime lending rate lower than chartered banks to reduce the burden on members for the majority of 2024. LCU recorded an unrealized gain on venture capital investments of $151,881 in 2024 (2023 - $194,732). The strong financial performance of these venture capital investments has led to these unrealized gains. Other income remained a small part of total revenue for 2024 at 2.97% (2022 – 2.45%) and LCU is very proud that we can remain virtually service charge free, while providing member service that is second to none.



Expenses

Interest expense on member deposits increased in 2024 to 48.62% (2023 – 48.12%) as a percentage of total expenses. The increased overall average interest rate across all products throughout the year resulted in a nominal dollar increase of $380,663 (2023 - $1,869,233) in interest expenses.

Personnel expenses decreased to 18.53% in 2024 (2023 – 20.08%) as a percentage of total expenses. In nominal dollars personnel expenses increased in 2024, by $41,346 (2023 - $153,414), due to the normal progression of salaries.

Member security expenses decreased to 2.43% in 2024 (2023 – 3.01%) as a percentage of total expenses. In nominal dollars member security expenses decreased in 2024, by $16,752 (2022 - increased $38,355), from decreased business insurance premiums.

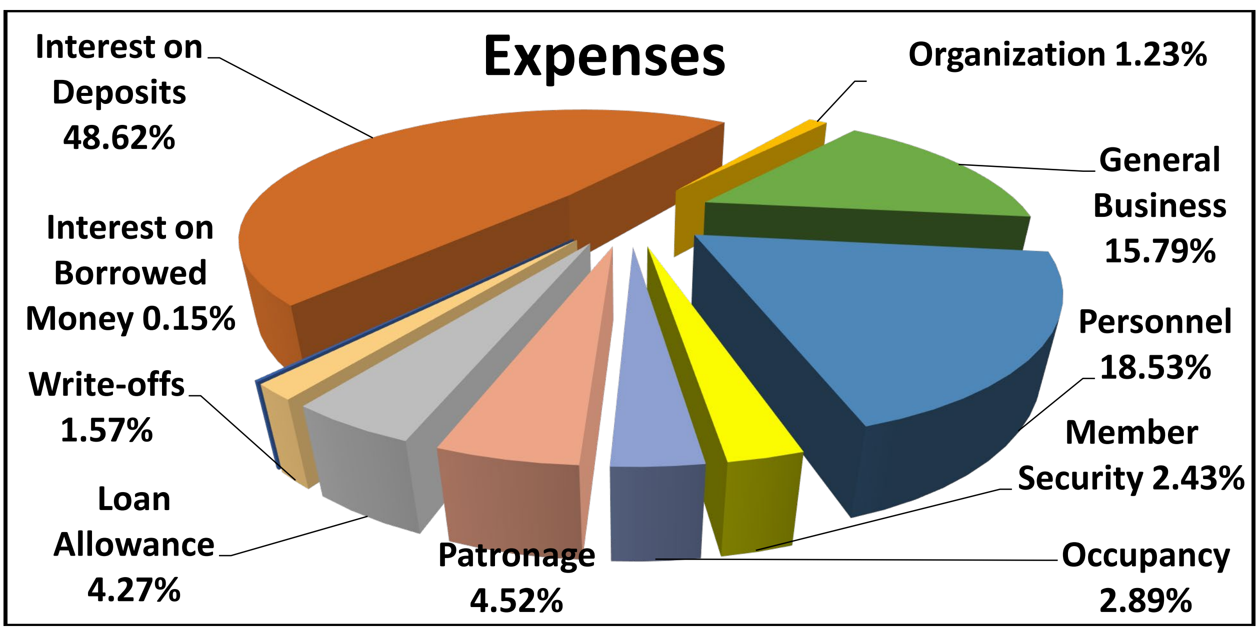
Organizational expenses decreased to 1.23% in 2024 (2023 – 1.63%) as a percentage of total expenses. In nominal dollars, organizational expenses decreased $14,888 in 2024 (2023 – increased $20,299) primarily due to one-time expenses incurred in 2023 for LCU's 60th Anniversary Celebration.

Occupancy expenses decreased to 2.89% in 2024 (2023 – 3.90%) as a percentage of total expenses. In nominal dollars occupancy expenses decreased in 2024, by $38,464 (2023 – increased $21,079), due to building improvements and required groundwater monitoring costs, both incurred in 2023.

General business expenses increased to 15.79% in 2024 (2023 – 14.69%) as a percentage of total expenses. In nominal dollars general business expenses increased $179,028 (2023 - $57,671) due to increased costs amongst almost all routine expenses including clearing and settlement, banking software, and online banking.

Loan allowance and write-off expenses are separated into two separate categories to illustrate the difference between the two. Loan allowances increased to 4.27% (2023 – 2.25%) and write-offs increased to 1.57% (2023 – 1.10%) as a percentage of total expenses. In nominal dollars loan allowance expenses in 2024 were $283,564 (2023 - $133,274) and write-off expenses in 2024 were $104,449 (2023 - $64,913). These expenses are losses primarily associated with loans defaulting and are an unfortunate part of lending. LCU's write-off expenses for 2024 included $nil for losses that resulted from fraud (2023 - $760).

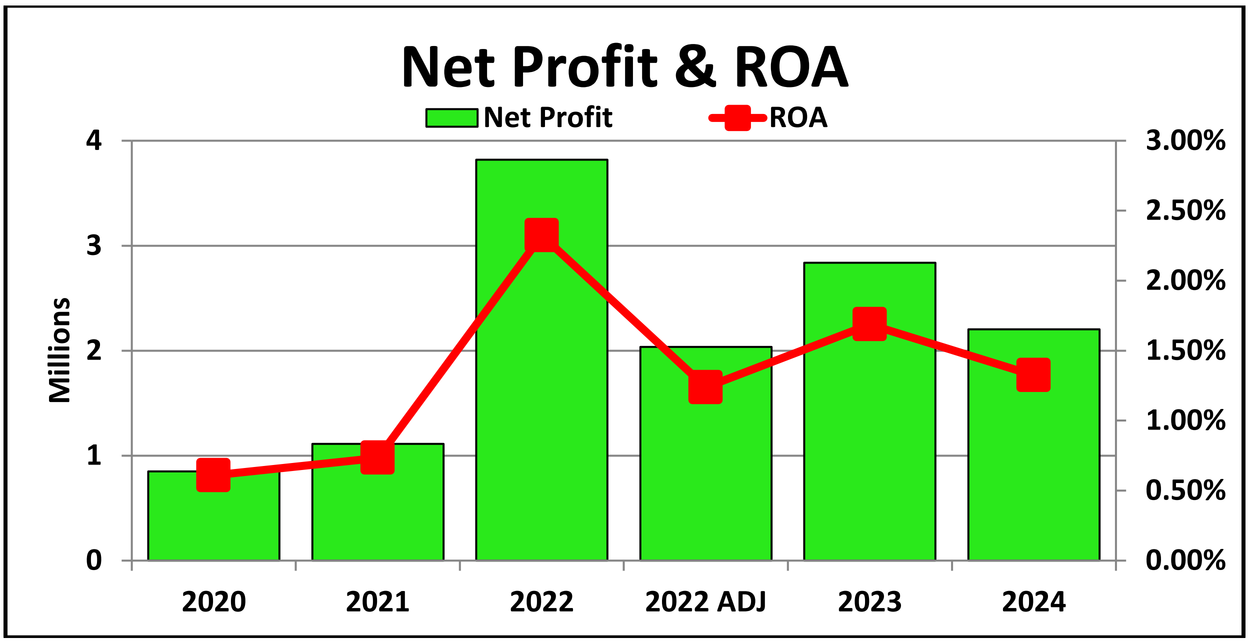
LCU strives to effectively manage its expenses and continues to operate one of the most efficient operations in the province when compared to our peers.



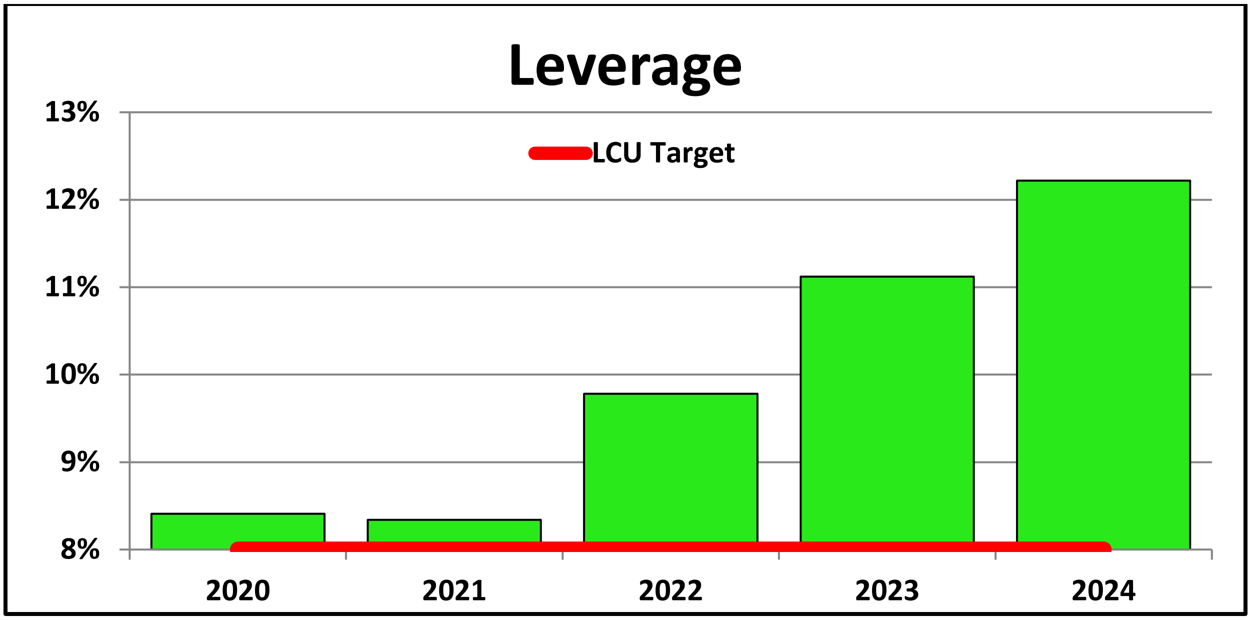
Comprehensive Income & Leverage

Comprehensive income decreased 25.01% in 2024 (2023 – 28.91%) and there are several factors contributing to the reduction in comprehensive income including: 1) movement of member deposits from savings accounts to term deposit products, 2) downward trending interest rates on deposit and investment products and their impact on LCU's overall profitability, and 3) general increases to overhead and administrative costs. Gross Financial Margin decreased year over year on a dollar basis due to higher interest rates paid to members on deposits relative to interest rates charged to members on loans. Gross Financial Margin is calculated as the interest collected from members' loans, plus the interest earned on LCU investments, less interest paid on members' deposits, and less any interest LCU paid on its own line of credit. This is also referred to as our Net Interest Margin.

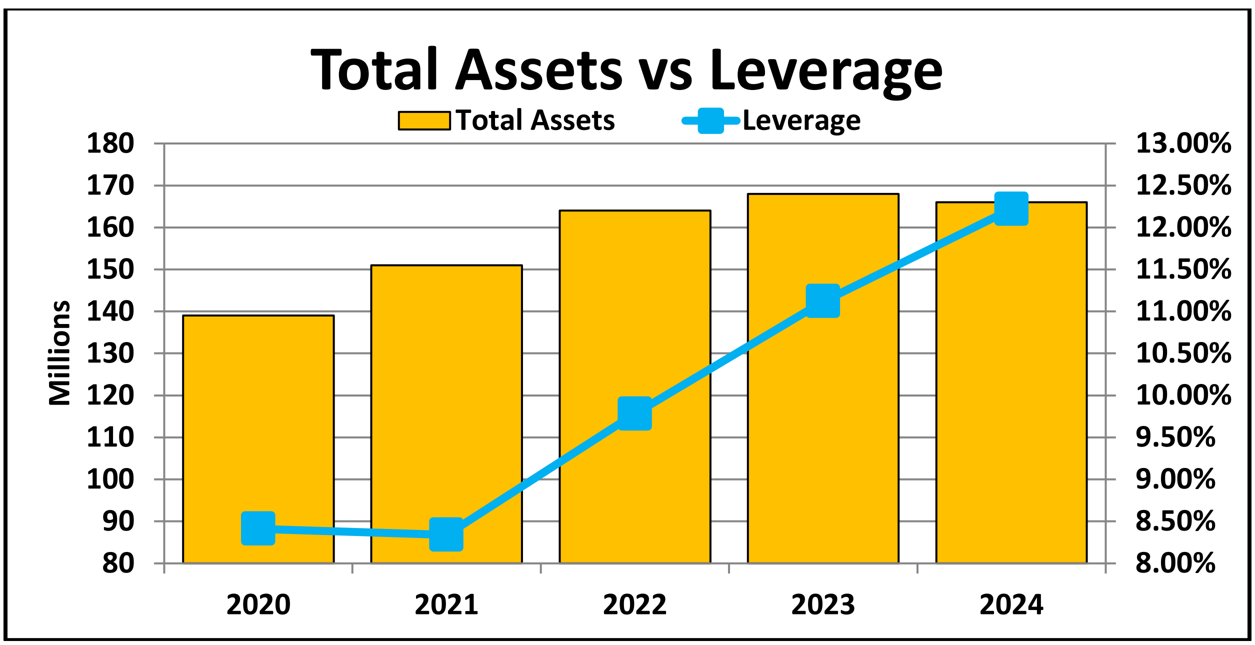
Looking at LCU's 5-year historic net profit and return on assets (ROA), we see that 2024 outperformed 2020, 2021, and 2022 adjusted when removing the SaskCentral dividend. In 2024, LCU generated a ROA of 1.32% and a net profit before patronage of $2,568,877 compared to the prior year's results of 1.69% and $2,837,741, respectively. Profitability is a pillar of LCU's continued success and 2024 was another exceptional year that will positively contribute to our long-term success.



LCU's leverage ratio requirement is 5.00% and is largely a measure of our retained earnings as a percentage of our total assets. Member shares and the loan allowance are also included in this calculation. LCU aims to surpass its regulatory requirement by setting its own leverage target at 8.00% and its policy minimum at 7.00%. LCU maintains a strong leverage position to ensure we can meet the needs of our growing membership. In 2024, LCU's leverage ratio was 12.22% (2023 – 11.12%) and the upward movement can primarily be attributed to above average profitability for the year. LCU also monitors its Risk Weighted Capital (RWC) which is a measure of assets, and their specific levels of riskiness compared to LCU's equity reserves. RWC for 2024 was 17.05% (2023 – 17.32%), which was well ahead of our regulatory requirement of 10.50% and LCU's internal requirement of 12.00%. RWC decreased slightly as a result of the increase in LCU's loan portfolio, which is inherently more risky than corporate investments.



When comparing LCU's leverage to assets we see the direct effect of a higher than average profit over the past three years and this resulted in a 10.24% increase in retained earnings. LCU's board considered the strong profit position and the long-term success of the credit union before deciding to maintain the patronage payment at $300,000 (2023 - $300,000). This was paid to the members on February 18, 2025 and represents members' participation in LCU's success through a bonus on deposit interest and a rebate on loan interest. The payment also serves as a thank you to members for their continued support and loyalty.



Enterprise Risk Management

Each year our credit union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our community now and in the future. This process is called Enterprise Risk Management or ERM for short and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. The board and management are tasked with completing the ERM process on an annual basis by holding a special meeting in conjunction with the strategic planning session. Through this process, the following risks have been identified according to their potential impact on LCU.

Strategic Risks

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

Specific strategic risk and their action plans are outlined below:

- Risk that costs of current support systems will become too great or be eliminated.
    - Monitor events and strategic direction of system partners.
    - Maintain awareness of support alternatives.
    - Find creative alternatives where possible.

- Risk that we will no longer remain relevant to our members' needs and wants.
    - Continue to utilize member surveys and informal interactions to gauge relevance.
    - Continue to stay ahead of the curve with respect to new technology offerings.

Operational Risk

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

Specific operational risks and their action plans are outlined below:

- Risk that above average growth will negatively affect capital.
    - Make informed decisions based on growth, capital, and profit.
    - Make prudent spending decisions, re: patronage allocations.

- Risk that volatility in the oil and agricultural sectors will negatively impact capital.
    - Stay knowledgeable of economic conditions and commodity prices.
    - Continue to work with members to resolve stress issues.

- Risk of hijack/ransom of our digital platform.
    - Maintain strong procedures and controls.
    - Carry insurance to protect against loss.
    - Communicate with members should an event occur.

- Risk of financial loss from card skimming, fraud, wire transfer etc.
    - Maintain strong procedures and controls.
    - Carry insurance to protect against loss.
    - Communicate with members should an event occur.
    - Continue to educate members in fraud awareness.

- Risk of being unable to attract or retain staff in key positions.
    - Continue to recruit qualified staff for the Credit Union.
    - Train staff interested in career advancement.
    - Contract temporary resources if necessary.

Liquidity Risk

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

Specific operational risks and their action plans are outlined below:

- Risk of significant and rapid changes to our capital ratios from an influx of deposits from other Credit Unions.
    - Monitor for indications of other credit union amalgamations.
    - Strategies will be implemented to address the potential increase in market share.

- Risk LCU will not be able to maintain adequate liquidity to meet regulatory requirements or fund member obligations as they come due.
    - Set liquidity targets and ranges that exceed regulatory minimums.
    - Be conscious of liquidity needs when making investment or syndication decisions.

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

The management of liquidity risk by LCU has several key aspects, which would include the following:

- ***Statutory Liquidity.*** LCU maintains a minimum level of monies on deposit with SaskCentral based on regulatory requirements (8.65%). These amounts are updated on a quarterly basis. As such, SaskCentral is a fundamental partner in LCU's liquidity risk management.
- ***Policies.*** The board sets policy that, among other things, establishes targets for minimum liquidity levels, determines a monitoring system, and defines authority levels and responsibilities.
- ***Monitoring.*** Activity in loans and deposits are regularly reviewed, and any trends used to project forward appropriate liquidity levels. Monitoring of the external environment is also affected, using a variety of sources of data.
- ***Patterning.*** LCU's liquidity plan forecasts cash-flow in the organization, over a variety of projected risk situations.
- ***Diversification of Funding.*** LCU maintains reporting on the diversity of its deposit liabilities by source, term, and deposit type. In addition, a credit facility is maintained with SaskCentral as an additional source of funds.
- ***Stress Testing.*** LCU regularly performs stress testing on elements of the organization, which includes the CUDGC prescribed Liquidity Coverage Ratio (LCR), in

order to measure the possible effect of various disrupters (both on an organization-specific level and a more macro level).

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

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

CUDGC has set the minimum for LCR at 100% for 2024 (2023 – 100%) and LCU surpassed the target with 550.30% (2023 – 248.01%). For 2025, the minimum LCR will continue to be 100% and LCU does not anticipate any challenges with exceeding this threshold.

Credit Risk

Credit risk is the risk of loss arising from a borrower or counterparty's inability or unwillingness to meet their credit obligations. Strategies to mitigate this risk include maintaining up to date policies and procedures based on strong credit underwriting and monitoring processes. Within those processes there are several tools that LCU utilizes to evaluate and monitor the credit portfolio as follows.

LCU has a robust credit analysis and submission program that also includes a component for risk rating not only the current loan, but the entire member file. A variation of this program is used for all consumer, agricultural, and commercial loans to ensure the lending decision is based on high quality data that is repeatable.

The loans analysis process further evaluates larger credit files, on an annual basis, that have aggregate credit products over a certain dollar amount threshold and evaluates higher risk credit files, on a quarterly basis, that have a risk rating and dollar amount over a certain threshold. As a part of this review, members' financial information is updated and all the members' credit products with LCU are scrutinized to ensure the products are operating satisfactorily and to evaluate if further action is needed. That action can include increased information requirements, additional loan covenants, or in certain circumstances commencement of collection activity.

The ICAAP process sets aside a provision in its calculations for the impact of credit risk. This provision is based on the probability and impact of credit losses as well as numerous stress tests that explore scenarios and what the effect would be on LCU's capital position.

Through the IFRS 9 – loan impairment process, which utilizes historical delinquency data from the provincial system and LCU's own data. LCU increased its general allowance for credit impairment to $261,558 (2023 - $220,174) and increased its specific allowance to $705,000 (2023 - $462,820).

A syndicated loan is one that LCU has purchased from another credit union as part of management's strategy to maintain the loans to assets ratio at or near 65%. LCU also purchases individual leases and lease packages as another method to maintain our loan portfolio. These loans and leases are evaluated in the same manner as our member generated loan requests and deemed to be of the same quality.

Overall, delinquency is within acceptable parameters at present and the Board and Management accept the current level of delinquency over 90 days. Due to strong policies and procedures, along with robust analysis practices, LCU remains focused on carefully managing this area. Delinquency standards for loan delinquency over 90 days are a maximum of 1.00% of assets. For 2024, LCU ended the year with 1.73% delinquency over 90 days (2023 – 0.15%

delinquency over 90 days). Policies and procedures are in place to ensure due diligence is maintained in assessing the credit portfolio, including but not limited to having strategies to limit the potential impact of an economic downturn on mortgage loans and HELOCs. All audit reports including: Internal, Financial Statement, and Regulatory, have shown that good lending controls are in place.

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

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

Type of Credit	**Total - 2024**	**% of Residential Mortgage Portfolio**	**Total – 2023**	**% of Residential Mortgage Portfolio**
Conventional (uninsured)	$ 15,871,327	84.65%	$ 16,328,363	81.32%
CMHC (insured)	$ 2,422,067	12.92%	$ 3,324,470	16.56%
HELOC (Home Equity Lines Of Credit)	$ 455,000	2.43%	$ 425,700	2.12%
Total	**$ 18,748,394**	**100.00%**	**$ 20,078,533**	**100.00%**

LCU completes regular reviews, called stress tests, to aid in identifying the impact of a significant decline in the housing market on the residential mortgage portfolio. There are two main components considered in evaluating such consequences in regard to an economic downturn: the potential increase in member defaults and the potential decrease in the value of the collateral. As shown in the table above, LCU holds a small amount of HELOCs as part of the residential mortgage portfolio. Most of the portfolio is comprised of conventional term mortgages. As we would require a minimum of 20% down, or alternatively hold default insurance, in those cases, the residential mortgage portfolio accordingly does have a certain level of protection.

Emerging Risk

Emerging risk includes the inability to afford or manage future technological changes as they materialize. The speed of change is ever increasing and LCU must be able to keep pace with this trend if it wants to fully serve its members long into the future.

Specific emerging risks and their action plans are outlined below:

- Risk of continued system mergers/changes potentially increase costs:
  - Continue to maintain excellent profitability.
  - Keep current on technological change.
  - Stay involved in system discussions and encourage collaboration with our peers.

- Risk of decreasing amount of personal interactions with our members due to macro events, such as a global pandemic:
  - Employ new ways to interact with our members when they no longer visit the physical branch.

Legal and Regulatory & Market Risk

No specific risks were identified in these two categories during our ERM process.

Regulatory Matters

LCU complies with the regulatory obligations identified under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Our compliance processes are designed for an organization of our size, and corresponding exposure to such activity. Every year, the Credit Union's compliance officer (with the assistance of an outsourced compliance audit) provides a report to the Board of Directors on at least an annual basis as to the Credit Union's compliance with this and other legislation.

LCU is committed to prudent operations and follows the Standards of Sound Business Practices as set out by the Credit Union Deposit Guarantee Corporation.

Corporate Structure and Governance

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

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

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

Privacy LCU protects the confidentiality of those who do business with the credit union to ensure the fair handling of personal information that is made available while conducting business with the credit union.

Board of Directors

Mandate and Responsibilities

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

Key roles include:

- Exercising the powers of the credit union directly, or indirectly, through employees
- Directing the management of the business affairs of the credit union
- Acting honestly and in good faith with a view to the best interests of the credit union at the exclusion of other interests
- Exercising the care, diligence and skill of a prudent person in directing the credit union's affairs
- Establishing and maintaining prudent policies for the operation of the credit union

The board of directors is accountable to the members of the credit union for directing the affairs of the credit union and maintaining policies which are responsive to their needs and the needs of the credit union for sound operations.

Board Composition

The board is composed of 9 individuals elected by the members of the credit union. Board members are elected for 3-year terms. Nominations are accepted by the Governance Committee, who is also responsible for finding candidates to fill any vacant positions. Voting is by paper ballots at LCU's annual general meeting and election results are announced at the same meeting.

Committees

The responsibilities of the board of a modern financial services organization involve an ever-growing list of duties. Luseland Credit Union maintains several 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.

- ***Audit Committee***
  The Audit oversees the financial reporting process, reviews financial statements, and liaises with external auditors and regulators. The committee consists of at least 3 directors. The board determines the skills and abilities needed on the committee and chooses its members accordingly. For 2024, the committee members were: Daniel Holman (chair), Karen Mitzel, Alan Olfert, and Robert Prieston.

- ***Conduct Review Committee***
  The Conduct Review Committee ensures that Luseland Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. For 2024, the committee members were: Daniel Holman (chair), Karen Mitzel, Alan Olfert, and Robert Prieston.

- ***Crisis Management Committee***
  The Crisis Management Committee was formed as a part of Luseland Credit Union's Business Continuity Plan. The Crisis Management Committee is responsible to make decisions for workplace health and safety. For 2024, the committee members were: Robert Prieston (chair), Adam Franko, Ryley Magnus, and Brian Gottfried, Debra Scholer.

- ***Executive Committee***
  The Executive Committee acts in the capacity of, and on behalf of the board of directors between regular and special board meetings on all board matters except those which the board may not, in compliance with legislative requirements, delegate. The committee consists of the President, Vice-President, and one other member of the board. For 2024, the committee members were: Robert Prieston (chair), Brian Gottfried, Brent Laturnus, and Debra Scholer.

- ***Governance Committee***
  The Governance Committee oversees director nominations, director elections, director qualification reviews, governance review process, board evaluation, director training, education, and development, board committee review, director orientation, director compensation review, and director insurance. For 2024, the committee members were: Debra Scholer (chair), Phyllis German, Karen Mitzel, and Alan Olfert.

- ***Policy Committee***
  The Policy Committee reviews the existing policies of Luseland Credit Union on a three-year rotational basis, for the purpose of recommending any changes, deletions and/or additions to the board of directors, for their approval. For 2024, the committee members were: Brent Laturnus (chair), Phyllis German and Sharon Stang.

- ***Risk Committee***
  The Risk Committee provides oversight over all risks Luseland Credit Union may encounter, liaises with internal auditors, and reviews internal audit findings. For 2024, the committee members were: Daniel Holman (chair), Karen Mitzel, Alan Olfert, and Robert Prieston.

- ***Scholarship Committee***
  The Scholarship committee is tasked with reviewing the submissions received for the three annual scholarships presented by the Credit Union to graduating students. From these submissions the winners are chosen with the presentations being made at the graduation ceremonies. For 2024, the committee members were: Sharon Stang (chair), Phyllis German, Brent Laturnus, and Debra Scholer

- ***Workplace Violence & Harassment Review Committee***
  The Workplace Violence & Harassment Review Committee investigates any violent incidents, complaints of harassment, or instances of unethical behavior within LCU and makes recommendations to the board. The committee will procure the services of the RCMP, or a professional external investigator as required. The Workplace Violence & Harassment Review Committee is comprised of board, management, and staff. For 2024, the committee members were: Debra Scholer (chair), Adam Franko, Brian Gottfried, and Lisa Robinson.

Compensation and Attendance
Director compensation is found in the notes to the financial statement. All directors are required to attend at least 75% of the board meetings annually. In any event, a director shall not miss more than two consecutive meetings unless excused for reasonable cause by the board. Failure to meet attendance expectations may disqualify a director from continuing in office. In 2024, the Board of Directors held 12 regular meetings, 1 re-organizational meeting, no special meetings, and 21 committee meetings. Overall, attendance by individual directors for regular board meetings ranged from a high of 100% to a low of 83% with the average being 94%.

Director Training
The credit union will provide the necessary opportunities for personal and professional development of directors and board committee members.

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

It is acknowledged that the Credit Union Director Achievement (CUDA) program is the starting point for all director development. All new directors will be enrolled in this program. Individual attendance at the various modules of this program will be strongly encouraged.

Evaluation

The board will monitor and discuss the board's progress and performance at each meeting as required. Additionally, the board completes an annual self-assessment survey with the results shared with the entire board.

Executive Management

The executive management team consists of Adam Franko, General Manager, Alyssa Underdahl, Office Manager, and Ryley Magnus, Controller. The team has over 40 years of combined experience in the credit union system.

Corporate Social Responsibility (CSR)

Luseland Credit Union has always placed an emphasis on being a good corporate citizen in our community and providing much more than just financial services. This commitment is illustrated by not only the financial contributions made, but the many volunteer hours our staff donate to various local organizations. Donations to initiatives in the amount of $500 and over include: Bell Acres Golf & Country Club – irrigation project, steak night sponsor, golf pin flags, Canadian Centre for the Study of Co-operatives, Denzil Rec Board – curling rink walkway and lobby improvements, Kerrobert 4-H – archery targets, Kerrobert & District Ag Society, Kerrobert Rodeo Committee, Luseland & District Chamber of Commerce, Luseland District School – breakfast program, cross country running districts, Kids in the Kitchen, Luseland Garden Club, Luseland Minor Soccer, Luseland Pioneer Club, Luseland Rink – Zamboni upgrade, Saskatchewan Co-operative Association, STARS, and West Central Crisis Centre.
In 2024, a total of $55,137 in monetary donations were made and this does not include the countless napkins, cups, door prizes, silent auction items, given to worthwhile causes.

Capital Management

Luseland Credit Union management and board place a high priority on member service and feel that the best way to maintain the existing high level of service is to remain autonomous. In order to retain control of our local credit union it is important to manage the capital position of the operation. The Credit Union Deposit Guarantee Corporation (CUDGC) has set out minimum standards for all Credit Unions to adhere to. These standards are listed in the Standards for Sound Business Practice (SSBP) and are as follows:

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

CUDGC does expect that credit unions will not only meet these standards, but maintain capital levels appropriate for their individual operation and risk profile. The board of LCU has developed its own targets for capital and these are listed below.

- Total eligible capital / risk-weighted assets = 12.00% with a target range of 12.00 – 15.00%
- Tier 1 capital / risk-weighted assets = 12.00% with a target range of 12.00 – 14.00%
- Common equity tier 1 capital / risk-weighted assets = 12.00% with a target of 14.00%
- Minimum leverage ratio = 7.00% with a target range of 8.00 – 10.00%

LCU's capital position at the end of 2024 was as follows:

- Total eligible capital / risk-weighted assets = 17.05% (2023 – 17.32%)
- Tier 1 capital / risk-weighted assets = 16.83% (2023 – 17.11%)
- Common equity tier 1 capital / risk-weighted assets = 16.83% (2023 – 17.11%)
- Leverage ratio = 12.22% (2023 – 11.12%)

As per policy, the board makes a decision as to the allocation of the net profit for the year based on the following order of priority:

- Retained earnings until CUDGC standards have been achieved
- Build retained earnings to support growth, development, and financial stability of the credit union
- Patronage, equity contributions and/or dividends.

LCU utilizes an Internal Capital Adequacy process (ICAAP) to further assist the board and management with capital management. This process began in 2011 and has been expanded and revised to provide greater value to the board and management. The six main principles of ICAAP are:

- board and senior management oversight
- sound capital assessment and planning
- comprehensive assessments of risk
- stress testing
- monitoring and reporting
- internal control review

LCU's calculated ICAAP requirement for Q4 2024 was 14.25% (Q4 2023 – 14.15%) and we are pleased to report we have exceeded the requirement with an eligible capital level of 17.05% (2023 – 17.32%).

People

Members

In 2024, the membership of LCU increased to 1,852. There were 89 new members (2023 – 119) for the year and 53 memberships closed (2023 – 66). LCU is proactive in closing dormant accounts and that partially offsets the new memberships, however we have been able to grow our membership base on a consistent basis.

Directors

There are 3 positions expiring in 2025 and they are Phyllis German, Brent Laturnus, and Bob Prieston. All three incumbent directors, along with Krystal Bazylinski and Brendon Obrigewitch have chosen to let their name stand for election at the AGM. A strong board is the foundation of a strong credit union and LCU is fortunate to have hard-working community members commit to these positions. The board has had a productive year with regular meetings and committee meetings.

Staff

The Credit Union is very proud of its staff and the time that they volunteer to various community activities and associations. This continued dedication to our community is just one of the many ways LCU remains committed to our community.

Respectfully submitted,

Adam Franko, General Manager

Luseland Credit Union Limited
Financial Statements
December 31, 2024

Page

Management's Responsibility

Independent Auditor's Report

Financial Statements

Management's Responsibility

To the Members of Luseland Credit Union Limited:

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

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

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

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

March 6, 2025

General Manager

To the Members of Luseland Credit Union Limited:

Opinion

We have audited the financial statements of Luseland Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

MNP LLP
Suite 800, 119 - 4th Avenue S, Saskatoon SK, S7K 5X2 T: 306.665.6766 F: 306.665.9910

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Saskatoon, Saskatchewan

MNP LLP

March 6, 2025

Chartered Professional Accountants

Luseland Credit Union Limited
Statement of Financial Position
As at December 31, 2024

	2024	2023
Assets		
Cash and cash equivalents *(Note 4)*	**20,396,366**	13,954,716
Investments *(Note 5)*	**39,945,361**	56,542,549
Member loans receivable *(Note 6)*	**103,946,189**	95,477,986
Other assets *(Note 7)*	**104,988**	95,797
Property, plant and equipment *(Note 8)*	**1,964,993**	2,071,226
	166,357,897	168,142,274
Liabilities		
Member deposits *(Note 10)*	**145,588,412**	149,184,450
Other liabilities *(Note 12)*	**267,285**	358,782
Membership shares *(Note 13)*	**9,260**	9,080
	145,864,957	149,552,312

Commitments *(Note 17), (Note 19)*

Members' equity		
Retained earnings	**20,492,940**	18,589,962
	166,357,897	168,142,274

Approved on behalf of the Board

Karen Metz

Director

Director

The accompanying notes are an integral part of these financial statements

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

	2024	*2023*
Interest income		
Member loans	**6,560,569**	6,347,877
Investments	**2,221,267**	2,466,500
Investments - Unrealized gain on other equity instruments	**151,881**	194,732
	8,933,717	9,009,109
Interest expense		
Member deposits	**3,227,525**	2,846,862
Borrowed money	**10,279**	8,835
	3,237,804	2,855,697
Gross financial margin	**5,695,913**	6,153,412
Other income	**273,631**	225,833
	5,969,544	6,379,245
Operating expenses		
Personnel	**1,229,141**	1,187,795
Security	**161,338**	178,090
Organizational	**81,814**	96,702
Occupancy	**192,134**	230,598
General business	**1,048,227**	869,199
	2,712,654	2,562,384
Income before provision for impaired loans, patronage refund and provision for income taxes	**3,256,890**	3,816,861
Provision for impaired loans *(Note 6)*		
Change in loan allowance	**283,564**	133,274
Write-offs	**104,449**	64,913
	388,013	198,187
Patronage refund *(Note 14)*	**300,000**	300,000
Income before provision for income taxes	**2,568,877**	3,318,674
Provision for income taxes *(Note 11)*		
Current	**662,427**	744,696
Deferred	**3,472**	36,237
	665,899	780,933
Comprehensive income	**1,902,978**	2,537,741

The accompanying notes are an integral part of these financial statements

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

	Retained earnings	*Total equity*
Balance December 31, 2022	**16,052,221**	**16,052,221**
Comprehensive income	**2,537,741**	**2,537,741**
Balance December 31, 2023	**18,589,962**	**18,589,962**
Comprehensive income	**1,902,978**	**1,902,978**
Balance December 31, 2024	**20,492,940**	**20,492,940**

The accompanying notes are an integral part of these financial statements

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

	2024	*2023*
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	**6,212,351**	6,104,294
Interest received from investments	**2,588,129**	4,287,467
Other income	**273,631**	225,833
Cash paid to suppliers and employees	**(2,404,257)**	(2,514,380)
Interest paid on deposits	**(3,195,020)**	(1,958,340)
Interest paid on borrowed money	**(10,279)**	(8,835)
Patronage refund	**(300,000)**	(300,000)
Income taxes paid	**(947,549)**	(768,929)
	2,217,006	5,067,110
Financing activities		
Net change in member deposits	**(3,628,543)**	403,147
Net change in membership shares	**180**	265
	(3,628,363)	403,412
Investing activities		
Net change in investments	**16,382,207**	(6,276,964)
Net change in member loans receivable	**(8,507,998)**	(1,003,916)
Purchases of property, plant and equipment	**(21,202)**	(18,482)
	7,853,007	(7,299,362)
Increase (decrease) in cash and cash equivalents	**6,441,650**	(1,828,840)
Cash and cash equivalents, beginning of year	**13,954,716**	15,783,556
Cash and cash equivalents, end of year	**20,396,366**	13,954,716

The accompanying notes are an integral part of these financial statements

1. Reporting entity

Luseland Credit Union Limited (the “Credit Union”) was formed pursuant to the Credit Union Act 1998 of Saskatchewan (“the Act”) and operates one Credit Union branch.

The Credit Union serves members and non-members in Luseland, Saskatchewan and the surrounding community. The address of the Credit Union’s registered office is 701 Grand Avenue, Luseland, Saskatchewan.

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

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

Statement of compliance

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

The financial statements were approved by the Audit Committee on behalf of the Board of Directors and authorized for issue on March 6, 2025.

2. Basis of preparation

Basis of measurement

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

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in comprehensive income in the period in which the estimate is revised if 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 significant.

Classification of financial assets

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

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

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

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

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

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to value ratios
- Housing price indices

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

3. Material accounting policy information

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

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

3. Material accounting policy information *(Continued from previous page)*

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

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

Service charge fees, commission and other revenue

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

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

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

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

Revenue recognition for items outside the scope of IFRS 15 are included in the financial instruments section of Note 3.

Financial instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

Debt instruments are classified as follows:

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

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

3. Material accounting policy information *(Continued from previous page)*

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

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives and how performance of the portfolio is evaluated.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

For member loans receivable, 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.

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

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

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

3. Material accounting policy information *(Continued from previous page)*

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

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

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

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

Derecognition of financial assets

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

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

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

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

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

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

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

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

Modification of financial assets

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

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

3. Material accounting policy information *(Continued from previous page)*

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

Financial liabilities

Recognition and initial measurement

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

Classification and subsequent measurement

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

Derecognition of financial liabilities

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

Derivatives

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract, and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognized in profit or loss.

Dividend income

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

Interest

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

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

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

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

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

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.

3. Material accounting policy information *(Continued from previous page)*

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

Cash and cash equivalents

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

Investments

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

SaskCentral and Concentra Bank deposits and shares

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

Portfolio investments

Portfolio bonds are measured at amortized cost.

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

Impairment of non-financial assets

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

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

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

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

Syndication

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

3. Material accounting policy information *(Continued from previous page)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

	Rate
Buildings	5-6 %
Computer equipment	33 %
Furniture and equipment	20 %

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

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

Income taxes

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

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

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

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

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

Membership shares

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

4. Cash and cash equivalents

	2024	*2023*
Cash	**1,877,643**	1,506,912
Cash equivalents	**18,518,723**	12,447,804
	20,396,366	13,954,716

5. Investments

	2024	*2023*
Measured at fair value through profit or loss		
SaskCentral shares	**403,629**	1,026,723
Other equity instruments	**1,968,218**	1,908,339
	2,371,847	2,935,062
Measured at amortized cost		
SaskCentral and Concentra Bank deposits	**33,100,943**	44,271,863
Portfolio investments	**4,166,855**	8,814,927
	37,267,798	53,086,790
Accrued interest	**305,716**	520,697
	39,945,361	56,542,549

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

	2024	*2023*
Investment portfolio rating		
AA	**1,000,000**	4,506,493
A	**3,000,000**	4,000,000
BBB	**22,500,000**	32,000,000
R1	**11,004,573**	13,298,586
Unrated	**2,135,072**	2,216,773
	39,639,645	56,021,852

Statutory liquidity

Pursuant to Regulations, the Standards of Sound Business Practices ("SSBP") requires that the Credit Union maintain 8.65% of its total liabilities in specified liquidity deposits. The provincial regulator for Credit Unions, Credit Union Deposit Guarantee Corporation ("CUDGC"), requires that the Credit Union adhere to these prescribed limits and restrictions. As of December 31, 2024 the Credit Union met the requirement.

5. Investments *(Continued from previous page)*

Liquidity coverage ratio

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

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

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

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

As at December 31, 2024, the Credit Union is in compliance with regulatory requirements.

6. Member loans receivable

Principal and allowance by loan type:

					2024
	Principal performing	**Principal impaired**	**Allowance specific**	**Allowance for expected credit losses**	**Net carrying value**
Agriculture loans and mortgages	38,993,658	-	-	41,657	**38,952,001**
Commercial loans and mortgages	34,830,854	1,570,436	608,303	189,734	**35,603,253**
Consumer loans	2,977,350	-	-	3,540	**2,973,810**
Lines of credit	4,969,075	-	-	7,076	**4,961,999**
Residential mortgages	20,340,866	-	-	19,551	**20,321,315**
	102,111,803	1,570,436	608,303	261,558	**102,812,378**
Accrued interest	1,133,811	96,697	96,697	-	**1,133,811**
	103,245,614	1,667,133	705,000	261,558	**103,946,189**

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

2023

	Principal performing	Principal impaired	Allowance specific	Allowance for expected credit losses	Net carrying value
Agriculture loans and mortgages	33,903,888	-	-	34,660	33,869,228
Commercial loans and mortgages	31,906,616	2,211,390	371,432	159,862	33,586,712
Consumer loans	1,588,031	14,560	14,560	1,765	1,586,266
Lines of credit	5,948,085	53,287	53,287	7,521	5,940,564
Residential mortgages	19,652,833	-	-	16,366	19,636,467
	92,999,453	2,279,237	439,279	220,174	94,619,237
Accrued interest	858,749	23,541	23,541	-	858,749
	93,858,202	2,302,778	462,820	220,174	95,477,986

The allowance for loan impairment changed as follows:

	2024	*2023*
Balance, beginning of year	**682,994**	549,720
Provision for impaired loans	**388,013**	198,187
	1,071,007	747,907
Less: accounts written off, net of recoveries	**104,449**	64,913
Balance, end of year	**966,558**	682,994

7. Other assets

	2024	*2023*
Accounts receivable	**36,000**	40,000
Corporate income tax recoverable	**40,976**	-
Prepaid expenses and deposits	**25,322**	49,635
Deferred tax asset	**2,690**	6,162
	104,988	95,797

8. Property, plant and equipment

	Land	*Buildings*	*Computer equipment*	*Furniture and equipment*	*Total*
Cost					
Balance at December 31, 2022	131,250	2,964,767	177,548	204,436	3,478,001
Additions	-	-	18,482	-	18,482
Balance at December 31, 2023	131,250	2,964,767	196,030	204,436	3,496,483
Additions	**-**	**-**	**21,202**	**-**	**21,202**
Balance at December 31, 2024	**131,250**	**2,964,767**	**217,232**	**204,436**	**3,517,685**
Accumulated depreciation					
Balance at December 31, 2022	-	918,766	176,337	204,436	1,299,539
Depreciation	-	121,426	4,292	-	125,718
Balance at December 31, 2023	-	1,040,192	180,629	204,436	1,425,257
Depreciation	**-**	**114,208**	**13,227**	**-**	**127,435**
Balance at December 31, 2024	**-**	**1,154,400**	**193,856**	**204,436**	**1,552,692**
Net book value					
At December 31, 2023	131,250	1,924,575	15,401	-	2,071,226
At December 31, 2024	**131,250**	**1,810,367**	**23,376**	**-**	**1,964,993**

9. Line of credit

The Credit Union has an authorized line of credit due on demand, with no fixed repayment date, bearing interest at prime minus 0.50% (4.95% December 31, 2024), in the amount of $3,300,000 (2023 - $3,000,000) from SaskCentral. As at December 31, 2024, $nil was advanced (2023 - $nil).

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

10. Member deposits

	2024	*2023*
Chequing, savings, plan 24	**88,569,854**	95,161,592
Registered plans	**5,632,422**	5,315,792
Term deposits	**50,197,849**	47,551,284
Accrued interest savings and deposits	**1,188,287**	1,155,782
	145,588,412	149,184,450

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

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 1.75% (2023 - 2.25%).
- Registered savings plans are subject to fixed and variable rates of interest up to 4.35% (2023 - 4.35%), with interest payments due monthly, annually or on maturity.
- Term deposits are subject to fixed and variable rates of interest up to 4.35% (2023 - 4.40%), with interest payments due monthly, annually or on maturity.

11. Income tax

Income tax expense recognized in comprehensive income

The applicable tax rate is the aggregate of the federal income tax rate of 9% on income under the small business limit and 15% on income greater than the small business limit (2023 - 9% and 15%) and the provincial tax rate of 1% on income under the small business limit and 12% on income over the small business limit (2023 - 0.5% and 12%). The Credit Union has a reduced small business limit due to its level of taxable capital.

In August 2022, the provincial government announced changes to the small business tax rate. The small business income tax rate remained at 1% throughout 2024 and will increase to 2% on July 1, 2025.

Reconciliation between average effective tax rate and the applicable tax rate

	2024	*2023*
Applicable tax rate	**27.00 %**	27.00 %
Small business deduction	**(17.00)%**	(17.50)%
Income not eligible for deduction	**15.22 %**	13.69 %
Non-deductible other items	**0.70 %**	0.34 %
Average effective tax rate (tax expense divided by profit before tax)	**25.92 %**	23.53 %

12. Other liabilities

	2024	*2023*
Accounts payable	**267,285**	114,636
Corporate income tax payable	**-**	244,146
	267,285	358,782

13. Membership shares

Authorized:

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

Issued:	***2024***	*2023*
1,852 Common shares (2023 - 1,816)	**9,260**	9,080

All common shares are classified as liabilities.

13. Membership shares *(Continued from previous page)*

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

During the year, the Credit Union issued 89 (2023 - 119) and redeemed 53 (2023 - 66) common shares.

14. Patronage

The Credit Union declared a patronage refund payable in the amount of $300,000 on December 18, 2024 (2023 - $300,000), to be paid in cash to the members based on lending and deposit business for the year ended December 31, 2024.

The patronage refund of $300,000 (2023 - $300,000) has been reflected in the statement of comprehensive income with related tax savings of approximately $81,000 (2023 - $81,000) reflected in the current year's provision for income taxes.

15. Related party transactions

Key management compensation of the Credit Union

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

	2024	*2023*
Salaries and short-term benefits	**533,195**	505,390

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.

	2024	*2023*
Aggregate loans to KMP	**2,499,228**	2,112,889
Aggregate revolving credit facilities to KMP	**122,800**	112,800
Less: approved and undrawn lines of credit	**(92,501)**	(93,231)
	2,529,527	2,132,458

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

	2024	*2023*
During the year the aggregate value of loans and lines of credit approved to KMP amounted to:		
Revolving credit	**20,000**	10,000
Mortgages	**833,348**	310,153
Loans	**175,913**	536,361
	1,029,261	856,514

	2024	*2023*
Income and expense transactions with KMP consisted of:		
Interest earned on loans and revolving credit facilities to KMP	**143,806**	134,767
Interest paid on deposits to KMP	**43,149**	39,133

	2024	*2023*
The total value of member deposits from KMP as at the year-end:		
Chequing and demand deposits	**3,893,291**	2,808,157
Term deposits	**197,347**	170,326
Registered plans	**72,545**	60,454
Total value of member deposits due to KMP	**4,163,183**	3,038,937

Directors' fees and expenses

	2024	*2023*
Directors expenses	**6,489**	6,608
Meeting, training and conference costs	**10,140**	18,313

SaskCentral

The Credit Union is a member of SaskCentral, which acts as a depository for surplus funds received from and loans made to credit unions.

Interest and dividends earned on investments during the year ended December 31, 2024 amounted to $1,802,786 (2023 - $1,943,096).

Interest paid on borrowings during the year ended December 31, 2024 amounted to $10,279 (2023 - $8,835).

Payments made for affiliation dues for the year ended December 31, 2024 amounted to $8,032 (2023 - $7,783).

16. Capital management

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

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

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC are 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 charge. Tier 1 capital consists of two components: common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital includes retained earnings, contributed surplus and accumulated other comprehensive income ("AOCI"). Deductions from common equity tier 1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own-use property. Additional tier 1 capital consists of qualifying membership shares and other investment shares issued by the Credit Union that meet the criteria for inclusion in additional tier 1 capital.

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

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

The Credit Union has adopted a capital plan that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors. The following table compares CUDGC regulatory standards to the Credit Union's board policy standards for 2024:

	Regulatory standards	***Board limits***
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 %**	**7.00 %**

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

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

The following table summarizes key capital information:

	2024	*2023*
Eligible capital		
Common equity tier 1 capital	**20,492,940**	18,589,962
Total tier 1 capital	**20,492,940**	18,589,962
Total tier 2 capital	**270,818**	229,254
Total eligible capital	**20,763,758**	18,819,216
Risk-weighted assets		
Total eligible capital to risk-weighted assets	**17.05 %**	17.32 %
Total tier 1 capital to risk-weighted assets	**16.83 %**	17.11 %
Common equity tier 1 capital to risk-weighted assets	**16.83 %**	17.11 %
Leverage ratio	**12.22 %**	11.12 %

17. Financial instruments

The Credit Union, as part of its operations, carries a number of financial instruments which result in exposure to the following risks: credit risk, market risk and liquidity risk.

Accordingly, the Credit Union has established avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Credit Union follows risk management policies approved by its Board of Directors.

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

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

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

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

Credit risk

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

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

Risk management process

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

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

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

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

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

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

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

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

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

	2024	2023
Unadvanced lines of credit	**8,079,864**	8,624,615
Guarantees and standby letters of credit	**252,167**	275,167
Commitments to extend credit	**200,922**	757,633
	8,532,953	9,657,415

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

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

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

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

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

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

Measurement of expected credit losses

The Credit Union measures expected credit losses, or ECL's, for member loans receivable on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (residential mortgages, commercial loans/mortgages, agriculture loans/mortgages, personal loans and lines of credit). Otherwise, expected credit losses are measured on an individual basis.

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

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

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

The Credit Union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of inflation and interest rate changes, based on information and facts available at December 31, 2024. The macroeconomic factors that affect the Credit Union expected credit loss calculations are: Saskatchewan unemployment rates, provincial housing starts, national interest rates, national GDP growth, and national oil prices. Each factor is forecast in a base case, a best case and a worst case scenario. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses. Key factors influencing assumptions of the simulations are economic uncertainties tied to interest rate changes, continued inflationary pressures, the quality of credit, and the borrower's future ability to service debt. The information for these assumptions is based off 2024 economic forecasts. These assumptions were shocked up and down 10-30% in the best and worst case scenario.

The typical weighting used in the model is 80% base, 10% best and 10% worst case, as the base case is historically the most likely scenario. Due to uncertainties around the macroeconomic environment, the weightings chosen at December 31, 2023 and December 31, 2024 were adjusted to 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 the security relating to the loan has been sold and there are remaining amounts outstanding or the borrower has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

Exposure to credit risk

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

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

		2024		
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans				
Low risk	**2,977,350**	**-**	**-**	**2,977,350**
Total gross carrying amount	**2,977,350**	**-**	**-**	**2,977,350**
Less: loss allowance	**3,540**	**-**	**-**	**3,540**
Total carrying amount	**2,973,810**	**-**	**-**	**2,973,810**
Residential mortgages				
Low risk	**20,116,489**	**-**	**-**	**20,116,489**
Default	**-**	**-**	**224,377**	**224,377**
Total gross carrying amount	**20,116,489**	**-**	**224,377**	**20,340,866**
Less: loss allowance	**19,551**	**-**	**-**	**19,551**
Total carrying amount	**20,096,938**	**-**	**224,377**	**20,321,315**

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

	2024			
	12-month ECL	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Commercial loans and mortgages				
Low risk	**34,730,854**	**-**	**-**	**34,730,854**
Default	**-**	**-**	**1,670,436**	**1,670,436**
Total gross carrying amount	**34,730,854**	**-**	**1,670,436**	**36,401,290**
Less: loss allowance	**189,734**	**-**	**705,000**	**894,734**
Total carrying amount	**34,541,120**	**-**	**965,436**	**35,506,556**
Agricultural loans and mortgages				
Low risk	**38,933,658**	**-**	**-**	**38,933,658**
Moderate risk	**-**	**60,000**	**-**	**60,000**
Total gross carrying amount	**38,933,658**	**60,000**	**-**	**38,993,658**
Less: loss allowance	**41,586**	**71**	**-**	**41,657**
Total carrying amount	**38,892,072**	**59,929**	**-**	**38,952,001**
Lines of credit				
Low risk	**4,969,075**	**-**	**-**	**4,969,075**
Total gross carrying amount	**4,969,075**	**-**	**-**	**4,969,075**
Less: loss allowance	**7,076**	**-**	**-**	**7,076**
Total carrying amount	**4,961,999**	**-**	**-**	**4,961,999**
Total				
Low risk	**101,727,426**	**-**	**-**	**101,727,426**
Moderate risk	**-**	**60,000**	**-**	**60,000**
Default	**-**	**-**	**1,894,813**	**1,894,813**
Total gross carrying amount	**101,727,426**	**60,000**	**1,894,813**	**103,682,239**
Less: loss allowance	**261,487**	**71**	**705,000**	**966,558**
Total carrying amount	**101,465,939**	**59,929**	**1,189,813**	**102,715,681**

	2023			
	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans				
Low risk	1,548,658	-	-	1,548,658
Default	-	-	53,933	53,933
Total gross carrying amount	1,548,658	-	53,933	1,602,591
Less: loss allowance	1,765	-	15,103	16,868
Total carrying amount	1,546,893	-	38,830	1,585,723

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

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Residential mortgages				
Low risk	19,600,474	-	-	19,600,474
Default	-	-	52,359	52,359
Total gross carrying amount	19,600,474	-	52,359	19,652,833
Less: loss allowance	16,366	-	-	16,366
Total carrying amount	19,584,108	-	52,359	19,636,467
Commercial loans and mortgages				
Low risk	31,875,496	-	-	31,875,496
Default	-	-	2,242,510	2,242,510
Total gross carrying amount	31,875,496	-	2,242,510	34,118,006
Less: loss allowance	159,862	-	394,430	554,292
Total carrying amount	31,715,634	-	1,848,080	33,563,714
Agriculture loans and mortgages				
Low risk	33,903,888	-	-	33,903,888
Total gross carrying amount	33,903,888	-	-	33,903,888
Less: loss allowance	34,660	-	-	34,660
Total carrying amount	33,869,228	-	-	33,869,228
Lines of credit				
Low risk	5,948,085	-	-	5,948,085
Default	-	-	53,287	53,287
Total gross carrying amount	5,948,085	-	53,287	6,001,372
Less: loss allowance	7,521	-	53,287	60,808
Total carrying amount	5,940,564	-	-	5,940,564
Total				
Low risk	92,876,601	-	-	92,876,601
Moderate risk	-	-	-	-
Default	-	-	2,402,089	2,402,089
Total gross carrying amount	92,876,601	-	2,402,089	95,278,690
Less: loss allowance	220,174	-	462,820	682,994
Total carrying amount	92,656,427	-	1,939,269	94,595,696

The gross carrying amount of financial guarantee contracts and letters of credit for which expected credit losses were recognized and are not included in the above table as at December 31, 2024 was $250,167 (2023 – $275,167).

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 Luseland, Saskatchewan and surrounding areas.

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

Amounts arising from expected credit losses

Reconciliation of the loss allowance

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

	12-month ECL	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Consumer loans				
Balance at January 1, 2023	2,678	37	-	2,715
Net remeasurement of loss allowance	(913)	(37)	15,103	14,153
Balance at December 31, 2023	1,765	-	15,103	16,868
Net remeasurement of loss allowance	1,775	-	(15,103)	(13,328)
Balance at December 31, 2024	3,540	-	-	3,540
Residential mortgages				
Balance at January 1, 2023	20,384	-	-	20,384
Net remeasurement of loss allowance	(4,018)	-	-	(4,018)
Balance at December 31, 2023	16,366	-	-	16,366
Net remeasurement of loss allowance	3,185	-	-	3,185
Balance at December 31, 2024	19,551	-	-	19,551
Commercial loans and mortgages				
Balance at January 1, 2023	167,065	744	300,000	467,809
Net remeasurement of loss allowance	(7,203)	(744)	94,430	86,483
Balance at December 31, 2023	159,862	-	394,430	554,292
Net remeasurement of loss allowance	29,872	-	310,570	340,442
Balance at December 31, 2024	189,734	-	705,000	894,734
Agricultural loans and mortgages				
Balance at January 1, 2023	52,311	-	-	52,311
Net remeasurement of loss allowance	(17,651)	-	-	(17,651)
Balance at December 31, 2023	34,660	-	-	34,660
Net remeasurement of loss allowance	6,926	71	-	6,997
Balance at December 31, 2024	41,586	71	-	41,657

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

	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Lines of credit				
Balance at January 1, 2023	6,501	-	-	6,501
Net remeasurement of loss allowance	1,020	-	53,287	54,307
Balance at December 31, 2023	7,521	-	53,287	60,808
Net remeasurement of loss allowance	(445)	-	(53,287)	(53,732)
Balance at December 31, 2024	7,076	-	-	7,076
Total				
Balance at January 1, 2023	248,939	781	300,000	549,720
Net remeasurement of loss allowance	(28,765)	(781)	162,820	133,274
Balance at December 31, 2023	220,174	-	462,820	682,994
Net remeasurement of loss allowance	41,313	71	242,180	283,564
Balance at December 31, 2024	261,487	71	705,000	966,558

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

The carrying amount of SaskCentral and Concentra Bank shares, as disclosed in Note 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 for these balances.

Market risk

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

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

Risk measurement

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

Objectives, policies and processes

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

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

Interest rate risk

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

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

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

Sensitivity analysis is used to assess the change in value of the Credit Union’s financial instruments against a range of incremental basis point changes in interest rates over a twelve month period. Interest rate shock analysis is calculated in a similar manner to sensitivity analysis but involves a more significant change of 100 basis points or greater in interest rates. Sensitivity analysis and interest rate shock analysis are calculated on a quarterly basis and are reported to the Board of Directors. Based on current differences between financial assets and financial liabilities as at year-end, the Credit Union estimates that an immediate and sustained 100 basis point increase in interest rates would increase net interest margin by $459,441 (2023 - $264,562) over the next 12 months while an immediate and sustained 100 basis point decrease in interest rates would decrease net interest margin by $459,441 (2023 - $264,562) over the next 12 months.

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

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

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

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

Interest rate sensitivity

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

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

Contractual repricing and maturity

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

(In thousands)

	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-interest sensitive	2024 Total	2023 Total
Assets							
Cash and cash equivalents	18,519	-	-	-	1,877	**20,396**	13,955
Average yield %	*3.31*	-	-	-	-	*3.01*	*4.45*
Investments	-	3,000	12,545	21,722	2,678	**39,945**	56,543
Average yield %	-	*1.56*	*3.15*	*3.15*	-	*2.82*	*2.92*
Members' loans receivable and accrued interest	78,133	3,312	4,381	17,856	264	**103,946**	95,478
Average yield %	*6.30*	*6.27*	*5.80*	*4.70*	-	*5.99*	*6.78*
Accounts receivable	-	-	-	-	36	**36**	40
	96,652	**6,312**	**16,926**	**39,578**	**4,855**	**164,323**	166,016
Liabilities							
Member deposits	43,358	12,162	28,283	35,705	26,080	**145,588**	149,184
Average yield %	*1.24*	*4.10*	*4.12*	*2.48*	-	*2.12*	*2.24*
Accounts payable	-	-	-	-	267	**267**	115
Membership shares	-	-	-	-	9	**9**	9
	43,358	**12,162**	**28,283**	**35,705**	**26,356**	**145,864**	149,308
Net sensitivity	**53,294**	**(5,850)**	**(11,357)**	**3,873**	**(21,501)**	**18,459**	16,708

Liquidity risk

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

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

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

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

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

The primary liquidity risk policies and procedures include the following:

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

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

The following table details contractual maturities of financial liabilities:

As at December 31, 2024:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Member deposits	**109,883**	**7,380**	**28,325**	**145,588**
Accounts payable	**267**	**-**	**-**	**267**
Membership shares	**-**	**-**	**9**	**9**
	110,150	**7,380**	**28,334**	**145,864**

As at December 31, 2023:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Member deposits	112,765	9,289	27,130	149,184
Accounts payable	115	-	-	115
Membership shares	-	-	9	9
	112,880	9,289	27,139	149,308

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

As at December 31, 2024:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	**20,396**	**-**	**-**	**20,396**
Investments	**18,223**	**10,150**	**11,572**	**39,945**
Member loans receivable	**86,090**	**3,791**	**14,065**	**103,946**
Accounts receivable	**36**	**-**	**-**	**36**
	124,745	**13,941**	**25,637**	**164,323**

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

As at December 31, 2023:

(In thousands)

	< 1 year	1-2 years	> 2 years	Total
Cash and cash equivalents	13,955	-	-	13,955
Investments	26,417	13,000	17,126	56,543
Member loans receivable	79,538	4,048	11,892	95,478
Accounts receivable	40	-	-	40
	119,950	17,048	29,018	166,016

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

Financial assets and financial liabilities measured at fair value

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

(In thousands)	***Fair value***	***Level 1***	***Level 2***	***2024 Level 3***
Financial assets				
Cash	**1,877**	**1,877**	**-**	**-**
SaskCentral shares	**404**	**-**	**-**	**404**
Other equity instruments	**1,968**	**-**	**1,968**	**-**
	4,249	**1,877**	**1,968**	**404**

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

(In thousands)	*Fair value*	*Level 1*	*Level 2*	*2023* *Level 3*
Financial assets				
Cash	1,507	1,507	-	-
SaskCentral and Concentra Bank shares	1,027	-	-	1,027
Other equity instruments	1,908	-	1,908	-
	4,442	1,507	1,908	1,027

All recurring Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For fair value measurements of Level 3 SaskCentral and Concentra Bank shares, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year.

Financial instruments not measured at fair value

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

(In thousands)	***Carrying amount***	***Fair value***	***Level 1***	***Level 2***	***2024*** ***Level 3***
Financial assets measured at amortized cost					
Cash equivalents	**18,519**	**18,519**	**18,519**	**-**	**-**
Investments	**37,573**	**37,835**	**-**	**37,835**	**-**
Member loans receivable	**103,946**	**103,988**	**-**	**103,988**	**-**
Accounts receivable	**36**	**36**	**-**	**36**	**-**
	160,074	**160,378**	**18,519**	**141,859**	**-**
Financial liabilities measured at amortized cost					
Member deposits	**145,588**	**144,807**	**-**	**144,807**	**-**
Accounts payable	**267**	**267**	**-**	**267**	**-**
Membership shares	**9**	**9**	**-**	**-**	**9**
	145,864	**145,083**	**-**	**145,074**	**9**

(In thousands)	*Carrying amount*	*Fair value*	*Level 1*	*Level 2*	*2023* *Level 3*
Financial assets measured at amortized cost					
Cash equivalents	12,448	12,448	12,448	-	-
Investments	53,608	52,938	-	52,938	-
Member loans receivable	95,478	94,409	-	94,409	-
Accounts receivable	40	40	-	40	-
	161,574	159,835	12,448	147,387	-

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

Financial liabilities measured at amortized cost					
Member deposits	149,184	147,448	-	147,448	-
Accounts payable	115	115	-	115	-
Membership shares	9	9	-	-	9
	149,308	147,572	-	147,563	9

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

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

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

As there is no observable market data for all fair values disclosed and categorized within Level 3 of the hierarchy, the Credit Union has assumed that the fair value of the amounts is comparable to their amortized cost.

19. Commitments

In 2016, the Credit Union entered into a seven year commitment with CGI (previously Celero) for the provision of retail banking services. In 2021, the agreement was extended to December 31, 2025. The annual operating fee is calculated based on the average number of outstanding accounts throughout the year. The annual operating fees for the year ended December 31, 2024 were $68,621 (2023 - $65,247) and recorded as an expense. The annual estimated fee for the year ended December 31, 2025 is $72,083 (2024 - $68,621).

In 2021, the Credit Union entered into a seven year commitment with CGI (previously Celero) on a project called Xpress for the provision of digital banking services. The annual estimated fee for the year ended December 31, 2025 is $112,485 (2024 - $110,649).

In 2022, the Credit Union entered into a five year commitment with BankBI for the provision of their financial and banking performance application and regulatory reporting. The annual subscription fee for the year ended December 31, 2025 is $30,168 (2024 - $29,693).

20. Comparative figures

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

Eligibility of a Director

The following conditions are to apply when determining the eligibility of an individual to become a director of the credit union:

- Must be a member of the credit union for one year
- Must maintain membership with the credit union
- Must be eligible for bonding
- Must not have loans in arrears with the credit union, other credit unions or other financial organizations
- Must not be an employee of the credit union
- Must not be involved in any legal action or dispute with the credit union
- Must not be a board member of any other financial institution except as a representative of the credit union
- Must be of legal age (18)
- Must be able to attend a minimum of 75% of regular board meetings, and keep up to date with Credit Union Director Training program, as per Board Policy
- Must be prepared to conduct a significant portion of the business with the credit union in order to demonstrate confidence in the credit union

Tenure

A board member will be eligible to sit on the board of directors for an unlimited number of terms.

Removal of a Director

A director may be removed from the board if he/she did not disclose information as outlined by credit union policy (and Credit Union Act) prior to coming on the board or is in contravention of any of the other conditions outlined in the section “Eligibility of a Board Member.”

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

ANNUAL REPORT MESSAGE 2024

January 2025

Credit Union Deposit Guarantee Corporation (the Corporation) functions as the deposit guarantor for Saskatchewan's provincially regulated credit unions. (Saskatchewan Credit Unions) and serves as the primary regulator for Saskatchewan Credit Unions and Credit Union Central of Saskatchewan (SaskCentral). Collectively, these entities are referred to as Provincially Regulated Financial Institutions or "PRFIs". The Corporation operates under provincial legislation, namely, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016*. The responsibility for overseeing the Corporation is assigned to the Registrar of Credit Unions with the Financial and Consumer Affairs Authority of Saskatchewan as specified by provincial legislation.

Established in 1953, the Corporation holds the distinction of being the first deposit guarantor in Canada, ensuring the safety of deposits against credit union failure. Through the promoting of responsible governance, risk management, and prudent management of capital, liquidity, along with guaranteeing deposits, the Corporation plays a crucial role in fostering 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.