TCU Financial Group

ANNUAL REPORT 2022

70 YEARS

Table of Contents

Vision, Mission & Values

Message from Board of Directors' Chair and Chief Executive Officer

On behalf of the Board and the entire TCU Financial Group team, we are pleased to provide an overview of TCU Financial Group Credit Union (TCU) for 2022.

Over the last year, we experienced a challenging and volatile economic environment which resulted in unprecedented central bank monetary policy actions. These actions were meant to address higher than normal inflation brought on by factors such as global supply chain disruptions attached to the pandemic, labour shortages, and a temporary increase in pent-up demand.

We are extremely pleased with the accomplishments and leadership provided from TCU Management during this challenging year. Prudent cost management contributed to your Credit Union ending the year with a net income greater than budgeted. We maintained our position as the 7th largest credit union in Saskatchewan with assets of $734 million on the credit union side and another $303 million of assets under administration on the wealth management side.

In 2022, TCU celebrated its 70th year serving the people of Saskatchewan. We are proud of the growth we have achieved and the investments we have made in our members and our communities. To ensure that TCU serves the digital and technological needs of our members, we invested in a new internal banking system as well as a modern digital banking experience that went live in March 2022. This modernization provides a sustainable platform that will enhance our members' online banking experience now and into the future.

TCU's vision is connecting people to their unique life goals. Our intent is to adapt our services to create a holistic experience for our personal and business members. It is important for us to be present locally to serve members and our small businesses and to share our connections, expertise and resources with them. As we go forward, we will continue our commitment to making decisions in the best interests of our member-owners, our staff and our community.

At TCU we are privileged to have a team of skilled and dedicated staff who are committed to serving our members. Every staff member is an important part of our team - playing a vital role in making TCU a success. We are committed to having empowered, knowledgeable employees that deliver competitive products and services to our members. We have also made a commitment to ensure that TCU is a great place to work and to provide an appropriate work/life balance for our staff. We want to thank our staff for their commitment, support, effort and contribution to TCU's success.

TCU has ten professional and knowledgeable Board of Directors who play a critical role in ensuring the Credit Union remains relevant and strong. They are responsible for providing strategic direction and high-level oversight of operations. We would like to thank the Board for their continued commitment and dedication to our credit union and the cooperative sector.

As we enter 2023, the Board, Management and all of our staff wish to reaffirm our commitment to our members. We are all responsible for the outcomes of our members, our community, and each other.

Thank you for your commitment and dedication to TCU.

Respectfully yours,

SBMansfield

Stephanie Mansfield
Chair – Board of Directors

Greg Peacock
Chief Executive Officer

Stephanie Mansfield – Chair
Board Member since 2013

Angela Prokop – Vice Chair
Board Member since 2020

Brendan Bitz
Board Member since 2013

Nicole Cox
Board Member since 2019

David Froh
Board Member since 2022

Board of Directors

Our Board of Directors is committed to maintaining focus on the members, the communities we serve and the financial sustainability of TCU Financial Group Credit Union.

Learn more about our directors by visiting tcufinancialgroup.com

Brett Gerich
Board Member since 2022

Donald Hobday
Board Member since 2021

Tony Linner
Board Member since 2006

Darcy McLean
Board Member since 2008

Patricia Warwick
Board Member since 2021

Meeting Attendance

2022 Board & Board Committee Meeting Attendance January 1 - December 31, 2022									
Board of Directors	**Board Meeting**	**Executive Committee**	**Audit Committee**	**Business Transformation Committee**	**CEO Compensation & Performance Evaluation Committee**	**Conduct Review Committee**	**Governance & Human Resources Committee**	**Risk Committee**	**Other**
Stephanie Mansfield Chair	5 of 5	5 of 5	5 of 5	1 of 1	4 of 4	2 of 2	-	-	5 of 5
Angela Prokop Vice Chair (Apr-Dec 2022)	4 of 5	4 of 4	2 of 2	-	4 of 4	-	2 of 2	3 of 3	5 of 5
Brendan Bitz[3]	3 of 5	-	2 of 2	-	-	-	-	5 of 5	7 of 7[3]
Nicole Cox	5 of 5	-	4 of 5	1 of 1	3 of 3	2 of 2	-	-	5 of 5
David Froh[2]	3 of 3	-	-	-	-	-	3 of 3	-	2 of 4
Brett Gerich[2]	3 of 3	-	-	-	-	-	3 of 3	-	4 of 4
Donald Hobday	5 of 5	-	-	-	-	-	2 of 2	3 of 3	5 of 5
Tony Linner	4 of 5	-	3 of 3	-	4 of 4	2 of 2	-	5 of 5	5 of 5
Darcy McLean	4 of 5	-	2 of 3	-	3 of 4	1 of 2	2 of 2	2 of 2	3 of 5
Tracie Risling[1] Vice Chair (Jan-Apr 2022)	2 of 2	1 of 1	-	1 of 1	1 of 1	-	-	-	0 of 1
Steve Tunison[1]	0 of 2	-	-	1 of 1	-	-	-	1 of 2	0 of 1
Patricia Warwick	4 of 5	-	-	-	-	-	4 of 5	-	5 of 5

[1] term ended
[2] term started
[3] Includes Corporate Social Responsibility Committee – 2 meetings (not a committee of the Board)

Other includes:

- AGM
- Re-organization Meeting
- Special Board Meetings
- Strategic Planning Meeting

Note: Our Committee structure changed after the re-organization meeting in April. Any variances seen in committee attendance are due to the changes.

Delegate Remuneration

2022 Board Honorariums, Per Diems, Travel/Other & Learning/Development					
Board of Directors	**Honorarium**	**Per Diems**	**Travel/Other**	**Learning & Development**	**Total**
Stephanie Mansfield Chair	$7,200	$7,600	$679.92	$635.75	$16,115.67
Angela Prokop Vice Chair (Apr-Dec 2022)	$3,000	$6,500	-	$958.00	$10,458.00
Brendan Bitz	$1,200	$4,000	-	-	$5,200.00
Nicole Cox	$1,200	$6,850	-	$1,797.00	$9,847.00
David Froh[2]	$800	$2,480	$333.06	$555.00	$4,168.06
Brett Gerich[2]	$800	$3,000	-	$555.00	$4,355.00
Donald Hobday	$1,200	$5,000	$317.20	$958.00	$7,475.20
Tony Linner	$1,200	$5,850	-	-	$7,050.00
Darcy McLean	$1,200	$4,400	-	-	$5,600.00
Tracie Risling[1] Vice Chair (Jan-Apr 2022)	$1,000	$1,200	-	42.00	$2,242.00
Steve Tunison[1]	$400	$400	-	-	$800.00
Patricia Warwick	$1,200	$3,800	-	$555.00	$5,555.00
Total	**$20,400**	**$51,080**	**$1,330.18**	**$6,055.75**	**$78,865.93**

[1] term ended
[2] term started

Corporate Governance

As a financial co-operative, TCU Financial Group is governed by a Board of Directors which is comprised of ten Directors, all of whom are independent. The functions of the Board include the sanctioning of strategic business plans, corporate mission, vision, values and guiding principles; monitoring corporate performance against strategic business plans; overseeing the operations; ensuring compliance with laws and regulations; keeping members informed regarding plans, strategies and performance of the Credit Union; performance management and compensation of the CEO; and other related matters as they may arise.

During 2022, the Board of Directors held five regular meetings and five other meetings.

The Board of Directors has also formed seven committees to assist with the governance process.

Audit Committee – The purpose of this committee is to provide independent oversight of the credit union's operations and to ensure the accuracy, integrity, security, prudence and legality of its financial transactions and records. During 2022, the Audit Committee was comprised of four directors and met five times.

Risk Committee – The purpose of this committee is to ensure a strong enterprise risk management framework exists. This framework provides reasonable assurance that strategic, operational, financial and regulatory objectives are achieved. The committee oversees the identification, measurement and development of strategies to manage those risks. The committee also oversees the compliance with legal and regulatory requirements. During 2022, the Risk Committee was comprised of four directors and met five times.

Governance & Human Resources Committee – The purpose of this committee is to ensure an appropriate governance structure is in place, to oversee the election process of the Board of Directors, the Board evaluation and development process, along with human resources. This includes the compensation philosophy and culture of the organization. Additionally, this committee works closely with the executive management to formulate policies and practices to meet the needs of our members, staff and the corporate entity. During 2022, the Governance & Human Resources Committee was comprised of four directors and met five times.

Conduct Review Committee – The purpose of this committee is to ensure the integrity and objectivity of its Directors, Officers and Employees. This committee monitors and reviews related party transactions with the credit union to ensure they are fair to the credit union and that best judgment is exercised in all matters or related party relationships as a result of real or perceived conflict of interest. This committee is comprised of the same members as the Audit Committee. During 2022, the Conduct Review Committee met two times.

Executive Committee – The purpose of this committee is to act in the capacity of, and on behalf of, the Board of Directors between regular or special Board meetings on all Board matters except those which the Board may not, in compliance with legislative requirements, delegate. Additionally, this committee sets the Board of Director's regular meeting and planning meeting agendas. The Executive Committee consists of the Chair and Vice Chair of the Board of Directors and the Chief Executive Officer. During 2022, this committee met five times.

CEO Compensation & Performance Evaluation Committee – The purpose of this committee is to ensure that a fair, equitable and competitive compensation program is provided for the CEO. Additionally, this committee conducts the CEO performance evaluation process and sets the performance plan for the following year. The CEO Compensation & Performance Evaluation Committee consists of five members of the Board of Directors which are the Chair, Vice Chair, Chair of the Audit Committee, Chair of the Risk Committee and Chair of the Governance & Human Resources Committee. During 2022, this committee met four times.

Business Transformation Committee – The purpose of this committee is to provide close oversight and control of the credit union's delivery on its strategy, monitoring of the plans and progress and to provide insights, perspectives and suggestions to the executive sponsor of the overall strategy program. At the March 5, 2022 Board Meeting the Board voted to eliminate the Business Transformation Committee and transfer the duties and responsibilities back to the full Board. During 2022, the Business Transformation Committee was comprised of four directors and met once.

Executive Management

The Executive Management team is responsible to oversee the operation of the credit union and its subsidiary as directed through the strategic plan and policies approved by the Board of Directors. Additionally, Executive Management is responsible for developing processes that identify measures, and monitor and control risks. TCU Financial Group has an extensive Enterprise Risk Management process and reports risk management performance to the Board through the Risk Committee.

The Executive Management team consists of the following:

Greg Peacock – Chief Executive Officer
Jason Bazinet – Chief Financial Officer
Robb Elchuk – Chief Risk Officer
Randy Martynuik – Chief Information Officer
Kathy Styranko – Chief Operating Officer (retired December 31, 2022)

Highlights

Digital Banking & Website Launched March 2022

In 2022, Canada's Credit Unions honoured with six Ipsos Financial Service Excellence Awards

- Customer Service Excellence
- Values My Business
- Financial Planning & Advice
- Branch Service Excellence
- Online Banking Excellence
- Live Agent Telephone Banking Experience

Highlights

TCU Financial Group Gives Back

New in 2022: TCU's Corporate Social Responsibility Program

TCU Financial Group has dedicated resources to support the categories of Diversity, Equity & Inclusion, Mental Health, Sick Kids, Food Insecurity, and Education.

$6,000 allocated to scholarships

By the numbers

7th largest credit union in Saskatchewan

$734 million in managed assets on the credit union side

Serving over **14,500** members

$303 million in managed assets on the wealth management side

TCU Financial Group employs **110** local people

Member owned since **1952**

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) provides detailed information, including commentary on the results of operations and financial condition of TCU Financial Group Credit Union (TCU Financial Group), for the year ending December 31, 2022. The MD&A is an integral part of the annual report and should be read in conjunction with the accompanying consolidated financial statements.

The following discussion and analysis is the responsibility of management and is current as of March 28, 2023.

Forward Looking Statements

This MD&A may contain forward looking statements concerning TCU Financial Group and its future strategies. These statements involve uncertainties in relation to the prevailing economic, legislative, and regulatory conditions at the time of writing. Therefore, actual results may differ from the future looking statements contained in this discussion.

Corporate Profile

TCU Financial Group is a member-owned financial co-operative serving over 14,500 members in the province of Saskatchewan. As a fullservice financial institution, TCU Financial Group offers members a comprehensive line of consumer, business and wealth management products and services. It serves its members through two branches and an advice centre in Saskatoon, two branches in Regina, MemberLine (call centre), and through its online and mobile banking platforms.

Economic Environment and 2023 Forecast

The major central banks around the world are now moving though a monetary tightening phase to curtail inflation and other constraining factors within economies. During the initial phase of the pandemic, the Bank of Canada dropped the overnight interest rate to 0.25% to support the Canadian economy in the face of economic uncertainty and market volatility. It maintained this rate stance throughout 2020 and 2021. Inflationary pressures ramped up throughout the year, peaking at 8.1% in June. To help get inflation under control, the Bank of Canada increased its overnight rate by 4% throughout 2022, with the overnight lending rate ending the year at 4.25% and inflation at 6.3%. Higher interest rates tend to slow business activity as consumers and businesses will gravitate towards saving more and spending less.

Despite prices for key export commodities like crude oil, potash and wheat being down from their summer highs, they remain historically elevated and at levels that are still supportive of incomes, government revenues and production. Potash production and exports are growing at significant rates as the war in Ukraine took a significant share of global capacity offline. Jumping nearly 100% in 2022, potash sales are projected to surpass the $1-billion mark. It’s expected global demand for Saskatchewan’s agricultural products and potash to remain solid in 2023, setting the stage for further growth in the provincial economy.

Employment growth in Saskatchewan has lagged behind other provinces for the majority of 2022, although the province’s employment level has surpassed its pre-pandemic levels. Booming commodity markets and slim labour force growth will keep the provincial job market relatively tight in in the year ahead. Unemployment in the province is projected to be the lowest in Canada at 5.1%.

We expect the provincial economy to fare relatively well amid the possibility of a broad global slowdown. Strong global demand (and prices) for Saskatchewan's products, and major investments to further develop the province's natural resources will sustain moderate growth in the range 1.5-2% for 2023. This places Saskatchewan at or near the top of provincial growth rankings for a second year in a row.

There are a few other factors that should leave Saskatchewan on a better growth trajectory relative to other provinces. Housing affordability is still reasonable by historical standards, leaving Saskatchewan's housing market in a better position to handle higher interest rates. Home prices have fallen considerably less in Saskatchewan than what's been observed in the rest of Canada. The broader economy is also less levered to housing which should shield the province from further near-term weakness on that front.

Even if economic uncertainty remains a major concern, labour shortages will continue to remain the biggest challenge for businesses. Even with immigration getting back on track, the population is aging and there is a mismatch between the skills of available workers and the needs of businesses. Labour shortages will also affect wages, which are expected to keep growing in 2023. Nationally, wage growth is expected to average 4% in 2023, well above the pre-pandemic rate of 2.7%.

Financial Performance Review

Financial Management	2022 Actual	2022 Plan	2021 Actual
Assets	734,406,273	766,972,000	744,758,720
Asset growth	(1.4%)	3.0%	(3.5%)
Loans	582,222,704	601,934,000	586,949,807
Loan growth	(0.8%)	2.6%	3.9%
Deposits	631,076,222	669,903,000	653,126,500
Deposit growth	(3.4%)	2.6%	(1.5%)

Total assets of the credit union declined $10,352,447 (-1.4%) in 2022 to $734,406,273.

The loan portfolio decreased $4,727,103 (-0.8%) from the year prior. Several years ago, the credit union made the strategic decision to diversify its loan portfolio and sought to expand its commercial loan offerings. In 2022, the commercial loan portfolio decreased by $3,189,797 (-1.4%) to $230,621,713, and now represents 39.6% of total loans up from 38.2% in 2021. Residential mortgage balances declined $531,559 (-0.2%) over the course of the year, largely attributed to members being prudent and paying down their mortgage debt. Residential mortgages represent 57.1% of our total loans, up from 56.7% in 2021. Our strategic goal is to maintain a diversified and balanced loan portfolio that is weighted in the range of 60% consumer and 40% commercial. Currently, our distribution is 60.4% consumer and 39.6% commercial.

The credit union continues to have a stable deposit base with $257.221.829 (37%) of the deposit portfolio in term deposits. Demand deposits comprise $261.305.066 (41%) of the total deposit portfolio along with $136.833.377 (21%) represented by registered and tax-sheltered deposits. Total deposits declined $22,050,278 (-3.4%) throughout the year to end 2022 at $631,076,222.

Profitability	2022 Actual	2022 Plan	2021 Actual
Net income	8,019,205	1,203,000	1,531,775
Comprehensive income	4,029,253	518,000	(150,838)
Return on average assets (ROAA)	1.08%	0.16%	0.20%
Efficiency ratio	76.3%	87.4%	82.2%

Net interest income is the difference between the income the credit union earns on loans and investments, and the interest paid on member deposits and borrowings. Net interest income improved $10,850,417 (61.9%) in 2022 compared to 2021. The main contributor to this increase in net interest income is a one-time dividend distribution from SaskCentral in the amount of $9,964,805 from its sale of Concentra Bank in 2022. Excluding this one-time dividend, net interest income would have increased by $885,614 (5.1%) over 2021 results.

On an average asset basis, net interest income improved 149 basis points, ending the year at 3.81% up from 2.32% in 2021. Absent the SaskCentral dividend, net interest income would have improved 14 basis points to 2.46%.

Non-interest revenue, which includes wealth management revenue and a variety of service related and transaction fees, was $4,157,139 in 2022, compared to $4,707,118 in 2021. The TCU Wealth Management team contributed 52.7% of the total non-interest revenue, up from 41.7% the year prior.

With the rise of interest rates, the credit union's bond portfolio experienced unrealized fair value losses of $3,962,093 in 2022, up from $319,064 in unrealized fair value losses in 2021. Fluctuations in fair values are generally attributed to changes in interest rates, movements in market credit spreads and shifts in the interest rate curve. While these losses are accounted for in our financial statements, they only represent losses that the credit union would suffer if it had been forced to liquidate its portfolio. These unrealized fair value losses will reverse over time as these bonds approach their maturity dates and are redeemed for their face values.

Non-interest expenses increased $3,806,768 (21.4%) in 2022 to $21,631,693. The credit union dedicated significant investments towards upgrading and converting its core banking system and mobile banking platform in 2022, which represents approximately $2,300,000 of the increase in non-interest expenses. Personnel expenses not attributable to the banking system conversions increased $1,380,732, where 65% of this amount is directed towards our employee shared success short-term incentive plan based on the credit union's financial performance.

Provision for credit losses in 2021 was $1,810,194. The forward-looking economic indicators at the time were indicating elevated risk and uncertainty surrounding inflationary pressures, lack of skilled labour, absentee disruptions due to COVID variants, vulnerable supply chains, and the dismantling of government COVID support programs, and this warranted additional provisions. It was expected that these additional provisions may reverse in future periods should these economic uncertainties and conditions improve, which did happen in 2022. There was a recovery in provisions of $576,010 experienced in 2022.

Net income improved $6,487,430 (423.5%) to $8,019,205 in 2022, resulting in a return on average assets of 1.08%, up from 0.20% in 2021.

Comprehensive income is comprised of net income and other comprehensive income (OCI), all net of taxes. Our OCI includes fair value changes for derivative instruments (interest rate swaps) designated as cash flow hedges and represent unrealized gains or losses. For 2022, OCI was in a net loss position of $3,989,952 compared to $1,682,613 in 2021. The credit union uses interest rate swaps and derivative instruments as a risk management tool to hedge against future changes in interest rates to ensure net interest income stability. The credit union intends to hold these instruments to contract maturity and does not engage in speculative trading. As a result of these unrealized OCI losses, the credit union is reporting comprehensive income of $4,029,253 in 2022 compared to a comprehensive loss of $150,838 in 2021.

The efficiency ratio is a calculation that represents how much it costs the credit union to earn $1 in revenue. Our efficiency ratio improved from 82.2% in 2021 to 76.3% in 2022. Management's focus following our banking system conversions are to work on getting this ratio below 75%.

Capital Management	2022 Actual	2022 Plan	2021 Actual
Common equity tier 1 capital / risk-weighted assets	15.1%	13.2%	13.7%
Total eligible capital / risk-weighted assets	15.4%	13.5%	14.1%
Total eligible capital / leveraged assets	8.9%	8.0%	8.0%

Member equity and capital are the primary measurements of a credit union's financial strength and ability to be resilient through unexpected events. Our capital management policy is to ensure that we remain adequately capitalized, maintaining a prudent cushion of retained earnings and equity to finance new opportunities, invest in our business, and offer a solid level of protection against severe negative economic events.

Our eligible capital ratio at the end of 2022 stood at 15.4%, up from 13.5% at the end of 2021. The standard as set by our regulator is that a credit union must maintain a minimum of 10.50% of total eligible capital as a percentage of risk-weighted assets. The credit union's internal capital management policy is for its risk-weighted capital ratio to be greater than 13%. Management regularly conducts stress tests to its capital levels through its Internal Capital Adequacy Assessment Program (ICAAP). Based on the results of our stress tests, management is confident that TCU Financial Group will be able to maintain a stable capital ratio that demonstrates strength and resiliency.

Liquidity Management	2022 Actual	2022 Plan	2021 Actual
Loans / assets	79.0%	78.5%	78.8%
Liquidity coverage ratio	222%	> 125%	183%

As our primary focus as a credit union is to deploy most of the funds deposited with us into member loans, our ideal loan-to-asset ratio is between 78% to 82%. Our loan to asset ratio was stable in 2022 at 79%. Lower levels of liquidity and a higher loan-to-asset ratio will generally enhance net interest income as loans are among the credit union's highest yielding assets. Average liquidity is expected to remain stable in 2023.

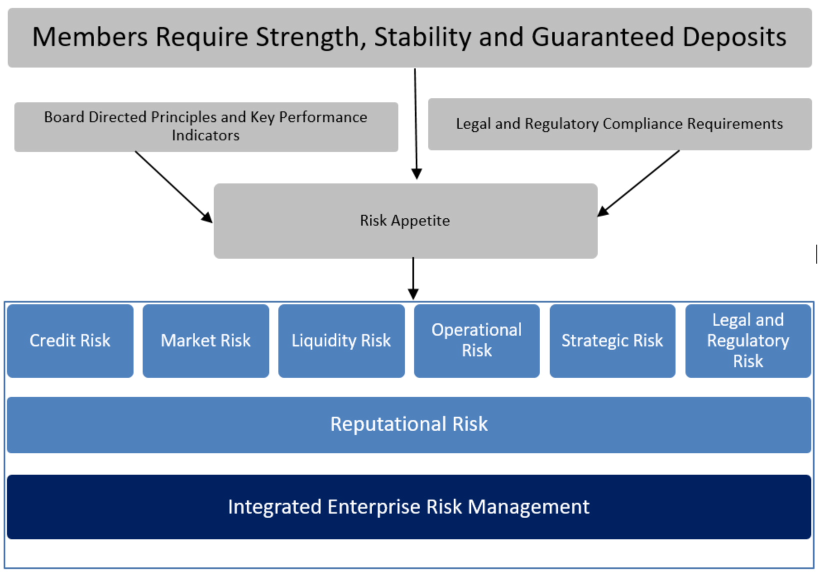
All Saskatchewan Credit Unions are required to maintain 10% of their liabilities on deposit with SaskCentral, as the manager of the provincial liquidity program. These liquidity investments provide a safety net of liquid funds to satisfy payment obligations and to also protect the credit union against unforeseen liquidity events. In addition to these statutory liquidity investments, the credit union maintains an investment portfolio of bonds that can be liquidated on short-notice and maintains $55,400,000 in credit facilities to meet any expected and unexpected liquidity demands.

Management of Risk

Overview

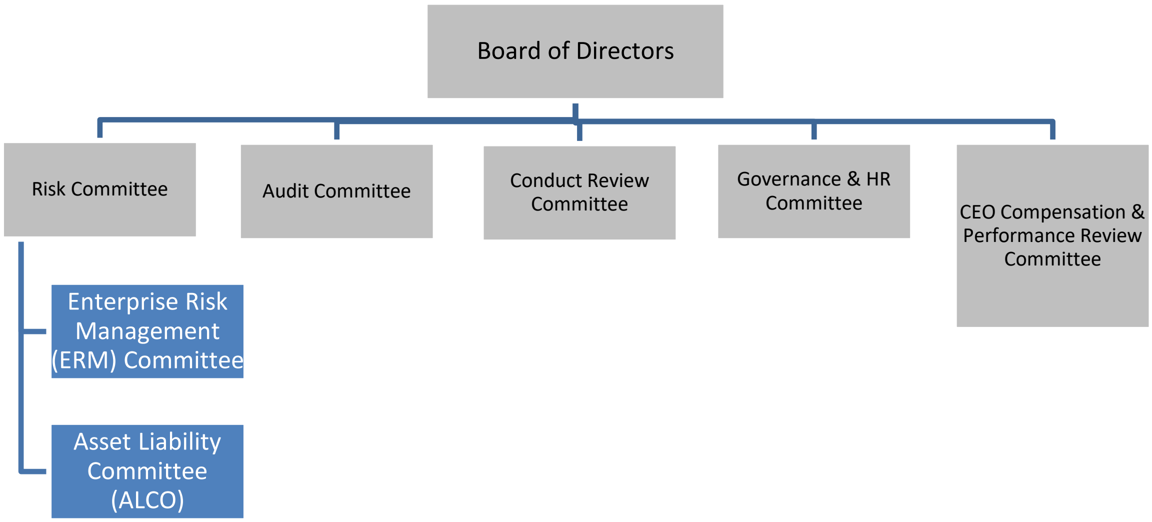
As a financial institution, TCU Financial Group is inherently exposed to a number of risks. Effective risk management is critical to the attainment of strategic initiatives. The credit union continues to work to build a strong risk culture that empowers all employees to be risk-aware and engaged in the identification and management of risk. TCU Financial Group utilizes an Enterprise Risk Management (ERM) framework that is aligned with Credit Union Deposit Guarantee Corporation's (the Corporation's) Standards of Sound Business Practice to identify, measure, monitor, control and report the risks of the organization on an enterprise-wide and disaggregated level.

The ERM framework defines risk exposure according to the categories outlined in the blue boxes of the chart below. These material risk categories reflect the significant risks that could impact TCU Financial Group's ability to achieve business objectives.



A key component of TCU Financial Group's risk management approach is to ensure that top and emerging risks are identified, managed and reported. Our ERM framework provides the overarching guidance for policies and programs at TCU Financial Group and allows effective management of enterprise-wide risks by:

- Providing a means by which the Board and management establish and reinforce the credit union's risk culture.
- Articulating and monitoring adherence to risk appetite through the Risk Appetite Framework.
- Establishing a risk management system with the three lines of defense to identify, measure, monitor, control and report risks.
- Establishing management and Board risk governance and oversight committees to provide a structured and disciplined approach to risk management and informed decision making.
- Establishing risk management policies and framework documents to govern the credit union's business and operational activities.



Senior management has established an Enterprise Risk Management Committee which is responsible to establish the framework to identify and classify risks and establish effective policies and processes to manage the risks. Executive and senior management are responsible for the implementation of strategies and policies approved by the Board as well as regular reporting to the Board or specific committees to ensure proper oversight is maintained.

The Asset and Liability Management Committee (ALCO) consists of executive management and other management personnel. The committee is responsible for monitoring liquidity and interest rate risk as well as overall credit exposure. This committee provides regular reporting to the Board related to liquidity, market risk and capital management activities undertaken by management.

The Internal Credit Committee is comprised of executive management and other management personnel. Credit transactions that exceed delegated authorities of individual staff members require approval from the Internal Credit Committee.

The Information Systems and Technology Steering Committee is comprised of executive management and other management personal to provide leadership and planning to align technology investments with TCU Financial Group's digital transformation strategies, deliver value, and manage performance and risk. The Committee monitors, evaluates, and approves related technology risk, cybersecurity, and prioritizes major digital projects.

TCU Financial Group has also established an independent internal audit function that is outsourced to PRA Canada Reporting from this framework is delivered to management and the Audit Committee of the Board on a quarterly basis to assist in the oversight of TCU Financial Group's internal controls.

The Risk Committee of the Board receives direct reporting from senior management and is responsible for monitoring the risk management framework and making recommendations to the Board regarding acceptable levels of risk. The Audit Committee of the Board is responsible to provide oversight of the external and internal audit process and the adequacy of internal controls.

The Board is responsible to approve the overall business plan, including recommendations from various committees. The Board also receives reporting from the various Board committees as it relates to approvals made by those committees.

TCU Financial Group is undertaking a process to review and align overarching policies and framework documents to ensure an integrated approach and holistic view of managing the entire business.

Risk Culture

Risk culture accountability lies at the core of TCU Financial Group's risk culture. Business decision makers have primary accountability for risk, while the Risk Management Group is primarily responsible for providing an enterprise-wide view of risk-taking activities by:

- Monitoring adherence to the Board's overall risk appetite and limit structure.
- Ensuring appropriate focus on the identification of new and emerging risks.
- Working with individuals across the organization to review and develop policies and procedures, monitor risk exposures, and challenging key business proposals.

Our approach is designed to help ensure that we only take as much risk as warranted by our business model, strategies, and policies, and that risk levels and types are transparent throughout the credit union. Business-line managers closest to our members are risk owners, while the Risk Management Group provides independent oversight and challenge of control effectiveness. We leverage strong talent on the front line, in corporate functions, and in internal audit to ensure effective risk management. To provide the foundation for risk culture, the Board establishes tone at the top by promoting risk awareness, conveying expectations that it does not support excess risk taking, and promoting a culture where employees are individually and collectively responsible for risk management.

The following risk principles guide employees in the corporate-wide management of risk:

- Clearly understand risks
- Integrate risk into decisions
- Use common sense and business judgement
- Actively communicate and manage risk
- Understand lines of defense roles
- Know TCU Financial Group members and business partners
- Balance risk and reward
- Act with integrity
- Protect TCU Financial Group's reputation and brand

Risk Appetite

TCU Financial Group's risk appetite encompasses our capacity for risk, which enables us to balance our risk tolerances with return expectations. Risk appetite is defined as the amount of risk TCU Financial Group is able and willing to accept or expressly avoid in the pursuit of its strategic objectives. Risk appetite is a comprehensive expression of the types and size of risks to which the credit union wishes to be exposed or not to be exposed, given the strategy and business model of the organization. Our risk appetite is based on an understanding of the credit union's overall capacity to bear risk. Risk limits and tolerance ranges represent the maximum risk the credit union can bear relative to its financial capital position, regulatory requirements, strength of earnings, resilience of brand and reputation. We also consider various stakeholder expectations including members, management and regulators with varying perspectives on risk appetite. As such, our risk appetite combines short-term management and earnings perspectives with longer-term solvency.

TCU Financial Group's Risk Appetite Framework provides the basis for the development of risk management policies and frameworks that establish and monitor adherence to the approved risk appetite. The Risk Appetite Framework also establishes the requirement to align risk-taking with the credit union's vision, strategy and risk principles. Adherence to risk principles and limits in day-to-day operations provides the basis for managing the risk profile of the credit union.

Three Lines of Defense

TCU Financial Group has adopted the Three Lines of Defense model to help provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. Our organizational structure continues to evolve and align to the Three Lines of Defense, improving the management of risk throughout the business operations of the credit union.

Business Operations	Risk Management Group	Internal Audit
First Line of Defense (risk takers)	Second Line of Defense (risk oversight)	Third Line of Defense (independent assurance)
• Owns and manages risk in day-to-day business operations. • Optimizes risk/return trade-off within risk appetite. • Embeds a risk aware culture within each business unit. • Operates within risk limits, tolerances, policies and legislative and regulatory requirements.	• Leads and coordinates development and maintenance of the Risk Appetite Framework, corporate policies and frameworks. • Supports a risk aware culture. • Provides independent oversight of the First Line of Defense, including independent challenge. • Defines risk measurement methodology and develops risk models and tools. • Independently identifies, measures, monitors and reports on the credit union's risk profile. • Provides advice on risk mitigation, risk appetite, risk assessment and quantification approaches.	• Provides independent assurance as to the effectiveness of the ERM Framework and the effectiveness of the First and Second Lines of Defense. • Independently reviews adherence to controls, policies and regulatory requirements. • Identifies operational weaknesses and recommends and tracks remediation actions.

Chief Risk Officer and Risk Management Group Mandates

The Chief Risk Officer (CRO) is independent from business line management. The CRO reports to the Chief Executive Officer but has unfettered access and a functional reporting line to the Risk Committee of the Board. As part of the Executive Management Team, the CRO is responsible for providing strategic direction and leadership for the enterprise risk management, compliance, credit adjudication and administrative functions of TCU Financial Group. Internal Audit also reports administratively to the CRO.

The Risk Management Group is an independent function that is accountable for oversight and effective challenge of all significant and material risks faced by the organization. The risk group reinforces enterprise-wide risk culture; establishes risk appetite, policies and frameworks, provides independent oversight to the effectiveness of the credit union's risk and compliance processes; and reports on the enterprise risk profile independently of business segments.

In March 2023 the CRO and Chief Compliance Officer (CCO) roles were combined into the Chief Risk & Compliance Officer (CRCO) role.

Stress Testing

Stress testing is an important component of TCU Financial Group's risk management framework. Stress testing results are used to:

- Ensure the credit union's risk appetite is commensurate with its risk capacity
- Ensure the credit union has sufficient capital for its risk profile
- Ensure the credit union has a buffer to withstand extreme but plausible shocks and stress events
- Ensure the credit union has capacity to recover from stress conditions

We incorporate the results of our stress tests into our Internal Capital Adequacy Assessment Process (ICAAP).

ICAAP

The ICAAP is an integral part of TCU Financial Group's ERM program. The ICAAP supports the credit union in ensuring that capital targets and levels are adequate to support the material risks of business operations, that capital is effectively deployed and maintained, and that capital decisions are aligned with the credit union's risk appetite, corporate policies and risk frameworks.

Material Risks

Material risks are those considered significant to the success of TCU Financial Group. The credit union takes on risks that are aligned with its strategic direction and risk appetite and create value for shareholders.

Credit Risk

Credit risk is the risk of loss associated with a borrower, obligor or counterparty (collectively referred to as counterparty) failing to meet the agreed terms in their respective loan agreement(s). TCU Financial Group has a credit management policy, procedures and underwriting requirements to assess and manage credit risk, which is inherent in the financial industry. TCU Financial Group monitors industry standards, market and economic conditions, and regulations in order to refine and evolve our credit risk practices.

The responsibility for managing credit risk is shared following the Three Lines of Defense model. Our Board delegates credit approval authorities to the CEO, who has delegated credit risk approval authorities to individuals within the credit department and business segments as necessary to enable daily business activities. Credit transactions in excess of these authorities must be approved by the Internal Credit Committee in alignment with the limits and requirements contained in the Corporation's Standards of Sound Business Practice.

Credit risk analysis includes continuous review and assessment of our loan portfolio performance, including criteria such as repayment, security valuation and diversification. We continue to actively manage our credit book as part of the risk and capital management processes. This helps determine the potential impact of an economic downturn that may result in defaults and a decrease in housing prices. Results indicate that TCU Financial Group's capital position remains resilient in the event of a medium-to-high stress scenario that affects the residential mortgage portfolio. Specifically, an LTV shock of 30% and results in a negative impact of approximately $1,400,000 on the credit union's capital position.

Activities in place to manage TCU Financial Group's credit risk profile within risk appetite and risk limits include:

- Entering into transactions within the credit union's knowledge and expertise.
- Consistent application of sound credit policies and procedures that set out the requirements for structuring loans. Underwriting requirements include the use of collateral, amortization, loan-to-value, reporting and covenants.
- Requiring the counterparty to pledge collateral as security for the credit to mitigate potential loss in the event of default.
- Regular reporting that assists management in identifying trends and/or red flags. TCU Financial Group is better positioned to proactively address concerns and increase the probability the loan can be rehabilitated.

The largest percentage of our credit book is invested in residential mortgages, including Home Equity Lines of Credit (HELOCs). TCU Financial Group has enhanced underwriting and review practices to insulate/mitigate risk in the portfolio associated with market volatility as has been observed in the past two years resulting from the pandemic. A more focused approach to diversification continues to be refined and implemented, which includes increased participation in commercial lending through a combination of on-book and purchased loans (syndication) across various industries and provinces.

Residential Mortgage Loan Portfolio

TCU Financial Group's residential mortgage loan portfolio is composed of uninsured, insured and HELOC mortgages. TCU Financial Group has established policies and procedures aligned with legislative and regulatory requirements that set out maximum loan to value, amortization periods and review requirements. Insured mortgages are those that have contractual coverage protecting TCU Financial Group against potential loss as a result of borrower default. Default insurance can be provided by government backed entities or other approved private mortgage insurers. Currently TCU Financial Group uses Canada Mortgage and Housing Corporation (CMHC) and Sagen (previously called Genworth) to provide mortgage default insurance.

A HELOC is a form of non-amortizing (revolving) credit facility that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. TCU Financial Group is limited to providing the non-amortizing HELOC component of a residential mortgage to a maximum authorized loan to value (LTV) ratio of less than or equal to 65%.

The following tables provide details to allow for evaluation of the soundness and condition of TCU Financial Group's residential mortgage operations:

Residential Mortgage Loan Portfolio (amount held by TCU Financial Group)

Category	Balance ($)	Mortgages (#)	Portfolio (%)
Insured Mortgages	116,374,638	515	35%
Conventional Mortgages	113,916,338	559	34%
Home Equity Lines of Credit (HELOC)	102,301,630	1,513	31%
Total Residential Mortgage Portfolio	332,592,606	2,587	100%

Residential Mortgage Term Loan Portfolio by Amortization (non-HELOC)

Remaining Mortgage Amortization	Balance ($)	Mortgages (#)	Average Balance ($)
Less than 10 years	5,995,738	82	73,119
10 – 14 years	12,777,382	97	131,726
15 – 19 years	81,124,134	413	196,426
20 – 25 years	123,083,810	454	271,110
More than 25 years	7,309,912	28	261,068
Total Loans	230,290,976	1,074	214,424

Residential Mortgage Loan-to-Value (LTV)

Category	Average LTV Ratio
Newly Originated Uninsured Residential Mortgages	71%
Newly Originated HELOCs (LTV at approval)	65%

Liquidity Risk

Liquidity and funding risk is the risk of financial loss due to the inability to access sources of funds or to generate sufficient cash or cash equivalents in a timely manner to meet all commitments as they become due, without raising funds at adverse rates or selling on a forced basis.

Liquidity risk analysis includes a review of strategies around member deposit acquisition and other loan funding sources. TCU Financial Group has established liquidity, capital management and asset/liability management (ALM) policies which are approved by the Board and provide direction in managing the associated risks. Loan syndication continues to be one strategy employed to mitigate liquidity pressures. Existing borrowing facilities with SaskCentral and Equitable Bank also form part of the management strategy. Management develops strategies designed to attract deposits and non-interest revenue streams. The ALCO is responsible to manage liquidity risk based on the approved policy and to provide reporting to the Board.

Market (Interest Rate) Risk

Market Risk at TCU Financial Group refers to the interest rate risk in the banking book. Interest rate risk in the banking book arises due to the duration mismatch between assets and liabilities. Adverse interest rate movements may cause a reduction in earnings and/or a reduction in the economic value of TCU Financial Group's assets or liabilities, resulting in a reduction of economic value of equity.

Market risk analysis includes a review of market conditions, asset/liability matching and interest margins. In addition to the ALCO, TCU Financial Group has employed the services of an outside consultant to assist with our balance sheet management. There is an increased focus on stress testing and portfolio analysis to assist in developing proactive management strategies. Interest rate swaps are employed as one strategy to manage interest rate risk. Senior management conducts ongoing reviews of product offerings, product delivery and product pricing to help ensure profitability. Reporting is provided to the Board regularly. Work continues to enhance the type and depth of the reporting available to assist management.

Strategic Risk

Strategic risk is the risk of exposure to loss resulting from changes in the external business environment or failure to respond appropriately to these changes as a result of inaction, ineffective strategies or poor implementation of strategies.

Annual planning meetings with executive management and the Board set the direction for the credit union. Our strategic direction is set by the Board, and management is responsible to develop initiatives to achieve the strategic plan. Management reports to the Board on the progress to plan for initiatives designed around our members, corporate culture, financial performance metrics and growth as well as operational business processes. The reporting process that identifies metrics to gauge performance in these strategic focus areas is referred to as the “Balanced Scorecard”. The Board reviews and approves the Balanced Scorecard annually.

Strategic risk analysis includes a review of TCU Financial Group’s brand, strategic direction, competition for members and employees, as well as TCU Financial Group’s role in the communities we serve. TCU Financial Group entered into its current planning cycle in 2019. The previous plan focused on internal rebuilding and people development. The 2019 planning process introduced a potential shift in our overall strategy as a result of the changes in the economic conditions, increased competition and changing consumer expectations in general. This led to diversifying the book of business into the commercial space, as well as propelling TCU Financial Group’s digital transformation activities. The foundation of this digital strategy was to upgrade and convert the core banking system and mobile banking platform, which occurred in 2022.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from people, inadequate or failed internal processes or systems, or from external events. Operational risk is inherent in all business activities.

Operational risk analysis includes a review of human resources, information systems, internal controls, and business continuity planning. Operational risk occurs when TCU Financial Group is not able to develop or deliver products and services to its members due to human error, inadequate or failed technical issues, inadequate internal controls, lack of trained or qualified staff or other resources, etc. TCU Financial Group has established policies, procedures, internal controls, and compliance activities with regular reviews of these controls. For example, TCU Financial Group has adopted a Code of Conduct for employees and directors.

TCU Financial Group utilizes a risk register and engages third party experts to ensure a high level of knowledge and support for daily operations and key initiatives as needed. TCU Financial Group also requests and receives audit reports from key suppliers to ensure that these organizations are able to remain viable partners for our organization.

Legal and Regulatory Risk

Regulatory compliance risk is the risk of regulatory sanctions or restricted business capacities due to non-compliance with applicable regulatory requirements within governing legislation, regulations and regulators’ expectations applicable to the operations of TCU Financial Group. A regulatory requirement obligates the credit union to do (or prohibits it from doing) certain things or to act or conduct its affairs in a particular manner. The Chief Compliance Officer (CCO) is responsible to oversee the design, development, implementation and maintenance of the regulatory compliance programs for the credit union. Within this responsibility, the CCO ensures that key day-to-day controls throughout the credit union are sufficiently robust to effectively mitigate the risk of noncompliance with regulatory and legislative requirements. Regulatory compliance matters are reported to the ERM Committee and to the Board through its Risk Committee.

Legal and regulatory risk analysis includes a review of fraud and fiduciary risk exposure; the cost to implement regulatory or compliance regimes; and the possible effect of non-compliance with laws, rules, regulations or ethical standards. TCU Financial Group has policies, procedures and internal controls in place to mitigate our exposure to these risks, as well as ensure compliance with applicable laws and regulations. The regulatory framework continues to evolve to meet the needs of TCU Financial Group and the expectations of the Corporation. Quarterly reporting is provided to senior management, the Risk Committee and the Audit Committee to enable Board oversight of the compliance and control processes.

Current Risk Assessment

TCU Financial Group has identified the following priority risks in alignment with our current corporate strategic plan:

People

The priority risks in the People strategic focus area are employee engagement, alignment of culture and strategy, and change fatigue. Ensuring our people understand and are able to align individually with the desired culture continues to be critical to TCU Financial Group's success.

Employing the right people with the right skills, behaviors, and attitude is critical to achieving and executing our strategy. Ensuring that staff are supported and enabled to be resilient in the face of change is essential. TCU Financial Group continues to invest in our people through education and training, as well as acquiring the needed expertise and leadership skills to achieve the desired organizational structure.

The competitive Saskatchewan marketplace, lower-than-market compensation and challenges facing the organization means TCU Financial Group is at high risk of losing key employees – the most competent and skilled individuals we need the most - to other employers.

The unemployment rate is low and the marketplace in Saskatchewan is very competitive, particularly for talent with experience and financial industry competencies. TCU Financial Group has fallen behind other credit unions and financial institutions with respect to total compensation, making it challenging to retain and attract individuals with the skills necessary to achieve growth and efficiency requirements.

Operational Business Processes

The priority risks in the Operational Business Processes strategic focus area are policies, measures to define success, and technology implementation.

Banking as we know it is evolving at a rapid pace. New technologies and innovation are causing financial institutions to reimagine traditional practices. As more digital banking services and disruptors enter the scene, TCU Financial Group must also consider how member expectations and behaviors are shifting and leverage new, stable technology channels to remain competitive. As inflationary pressures persist and labour markets remain tight, business leaders have reported their intention to make significant investments to improve productivity and efficiency. This could result in many organizations, including TCU Financial Group, accelerating plans to implement digital transformation and automation strategies.

Under the leadership of the Chief Information Officer, the credit union is reviewing and revising its technology roadmap to ensure our ability to continue to serve members effectively and efficiently. Improving financial performance is critical to ensuring that TCU Financial Group is able to invest appropriately in digital technology now and in the future. We continue to look for effective and efficient processes to ensure consistent member experience and reduce operating costs, while maintaining focus on appropriate risk management. Foundational frameworks to aid in the identification and management of risk continue to be enhanced.

Member

The priority risk in the Member strategic focus area is member acceptance of our strategy. Evolving our core business is our key strategic initiative and requires the support of all other areas. Ensuring we connect with our members is paramount to the delivery of a differentiated value. TCU Financial Group has committed resources to member experience transformation, along with research and business analytics. Revisiting our sales culture to ensure it aligns with our strategic objectives continues to be key, while also adapting to our changing business landscape in order to transform quickly enough to capitalize on new opportunities.

Our members continue to be resilient and able to cope with rising interest rates and inflation. Federal and provincial governments are providing targeted relief to help offset the higher cost of living. Commercial members are paying rates based on prime and are already adjusting. It is assumed that commercial members will pass through a portion of increased financing charges through customer prices and potentially absorb some through existing profit margins.

The overwhelming majority of our consumer borrowing are not on fixed incomes, and it is expected that wage increases will help to offset increased debt servicing costs. With Saskatchewan having one of the lowest unemployment rates, this should provide upward pressure on wages to keep pace with inflation. In addition to the well-diversified resource-based economy, Saskatchewan continues to have one of the lowest debt-to-disposable income ratios in the country and did not experience a sizable run-up in housing prices compared to other jurisdictions. This more moderated ramp-up should restrain the rise in debt servicing costs in the future and result in less potential downside for changes in home prices.

Financial Strength

The priority risks in the Financial Strength strategic focus area are efficiency and profitability. Improving TCU Financial Group’s efficiency ratio will have a positive impact on net income and capital ratios, and ensure the organization is able to grow and remain strong into the future.

Management continues to focus on diversification of TCU Financial Group’s credit book to mitigate concentration risk and provide the potential for increased income.

TCU FINANCIAL GROUP CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Management's Responsibility Communication

To the Members of TCU Financial Group,

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors. An Audit Committee of Directors is appointed by the Board to review financial statements in detail with management and to report to the Board of Directors prior to their approval of the financial statements for publication.

Independent auditors appointed by the members audit the financial statements and meet separately with both the Audit Committee and management to review their findings. The independent auditors report directly to the members and their report follows. The independent auditors have full and free access to the Audit Committee to discuss their audit and their findings as to the integrity of the Credit Union's financial reporting and the adequacy of the system of internal controls.

Darcy McLean
Chair, Audit Committee

Greg Peacock
Chief Executive Officer

Deloitte LLP
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Suite 400
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Canada

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Independent Auditor's Report

To the Members of
TCU Financial Group Credit Union

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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.

Other matters

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 30, 2022.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants

Deloitte LLP

Saskatoon, Saskatchewan
March 28, 2023

TCU FINANCIAL GROUP CREDIT UNION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	Notes	2022	2021
Assets			
Cash and cash equivalents	4	**21,932,391**	14,037,360
Other assets	5	**15,852,388**	3,303,256
Investments	6	**103,853,305**	125,897,105
Loans receivable	7	**582,222,704**	586,949,807
Derivative financial assets	8	--	283,306
Property and equipment	9	**7,144,343**	7,869,068
Right of use assets	10	**1,165,258**	1,352,487
Investment property	11	**1,814,263**	1,872,998
Intangible assets	12	**421,621**	3,193,333
Total assets		734,406,273	744,758,720
Liabilities			
Deposits	14	**631,076,222**	653,126,500
Secured borrowing	15	**8,177,802**	19,086,487
Loans payable	16	**15,800,000**	3,500,000
Derivative financial liabilities	8	**5,999,499**	--
Lease liabilities	10	**1,404,466**	1,590,842
Other liabilities	13	**3,213,418**	2,749,928
Membership shares	17	**74,015**	73,365
Total liabilities		665,745,422	680,127,122
Members' equity			
Accumulated other comprehensive loss		**(4,106,848)**	(116,896)
Retained earnings		**72,767,699**	64,748,494
Total members' equity		68,660,851	64,631,598
Total liabilities and members' equity		734,406,273	744,758,720

The accompanying notes are an integral part of the consolidated financial statements.

APPROVED BY THE BOARD:

Stephanie Mansfield, Board Chair

Angela Prokop, Board Vice Chair

TCU FINANCIAL GROUP CREDIT UNION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	Notes	2022	2021
Interest revenue			
Loan		21,967,782	19,845,550
Investment		13,293,606	2,787,276
Interest rate swaps		--	1,635,032
		35,261,388	24,267,858
Interest expense			
Member deposits		6,072,922	5,965,788
Borrowed money		725,492	1,000,324
Interest rate swaps		310,809	--
		7,109,223	6,966,112
Net interest income		28,152,165	17,301,746
(Recovery) provision for credit losses	8	(576,010)	1,810,194
Net interest income after provision for credit losses		28,728,175	15,491,552
Other income			
Unrealized (losses) on investments		(3,962,093)	(319,064)
Other revenue		4,157,139	4,707,118
		195,046	4,388,054
Operating expenses (Schedule 1)			
Personnel		12,013,601	9,885,768
General business		7,341,026	5,722,665
Occupancy		1,529,427	1,457,777
Security		591,538	598,716
Organizational		156,101	160,000
		21,631,693	17,824,925
Income before income taxes		7,291,528	2,054,681
Income taxes	21		
Current (recovery)		107,693	720,006
Deferred (recovery)		(835,370)	(197,100)
Net income before other comprehensive income		8,019,205	1,531,775
Other comprehensive loss (net of tax)			
Net unrealized losses on cash flow hedges		(3,989,952)	(1,682,613)
Other comprehensive loss		(3,989,952)	(1,682,613)
Total comprehensive income (loss)		4,029,253	(150,838)

The accompanying notes are an integral part of the consolidated financial statements.

TCU FINANCIAL GROUP CREDIT UNION
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31

	2022	2021
Retained earnings		
Retained earnings – beginning of year	64,748,494	63,216,719
Net income	8,019,205	1,531,775
Retained earnings – end of year	72,767,699	64,748,494
Accumulated other comprehensive income		
Accumulated other comprehensive (loss) income – beginning of year	(116,896)	1,565,717
Other comprehensive loss	(3,989,952)	(1,682,613)
Accumulated other comprehensive loss – end of year	(4,106,848)	(116,896)
Total members' equity	68,660,851	64,631,598

The accompanying notes are an integral part of the consolidated financial statements.

TCU FINANCIAL GROUP CREDIT UNION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2022	2021
Cash provided by (used in) operating activities		
Net income	8,019,205	1,531,775
Adjustments for non-cash items:		
Net interest income before credit losses	(28,152,165)	(17,301,746)
Income tax expense	(727,677)	522,906
Unrealized losses on investments	3,962,093	319,064
(Recovery) provision for credit losses	(576,010)	1,810,194
Depreciation of property and equipment	755,130	849,174
Depreciation right of use assets	187,229	194,711
Amortization of intangible assets	630,765	333,311
Amortization of investment property	58,735	58,735
Loss (gain) on disposal of property and equipment	9,940	(4,467)
Impairment of intangible assets	1,030,837	--
Changes in non-cash working capital:		
Loans	5,825,258	(27,268,796)
Other assets	981,392	(713,007)
Deposits	(22,803,364)	(8,537,497)
Other liabilities	463,490	660,941
Interest received	25,040,505	24,651,028
Interest paid	(5,539,020)	(5,268,324)
Taxes paid	115,509	--
Net cash from (used in) operating activities	(10,718,148)	(28,161,998)
Cash provided by (used in) investing activities		
Purchase of property and equipment	(44,345)	(370,581)
Purchase of intangible assets	(341,955)	(1,561,333)
Net change in investments	17,789,890	54,750,083
Disposal of property and equipment	4,000	14,295
Net cash from (used in) investing activities	17,407,590	52,832,464
Cash provided by (used in) financing activities		
Advances of loans payable	12,300,000	3,500,000
Repayment of principal portion of lease liabilities	(186,376)	(187,735)
Repayment of secured borrowings	(10,908,685)	(21,239,302)
Issuance (redemption) of membership shares	650	(21,755)
Net cash from (used in) financing activities	1,205,589	(17,948,792)
Increase in cash and cash equivalents	7,895,031	6,721,674
Cash and cash equivalents, beginning of year	14,037,360	7,315,686
Cash and cash equivalents, end of year	21,932,391	14,037,360

The accompanying notes are an integral part of the consolidated financial statements.

1. Incorporation and governing legislation

TCU Financial Group Credit Union is a for profit corporation governed by *The Credit Union Act, 1998* in the Province of Saskatchewan, Canada. The Credit Union's registered office is located in Saskatoon, Saskatchewan. The Credit Union provides financial services to members through branches in Saskatoon, Regina and the surrounding area.

In accordance with *The Credit Union Act, 1998*, Credit Union Deposit Guarantee Corporation (CUDGC) regulates all credit unions in Saskatchewan. CUDGC establishes Standards of Sound Business Practices, provides regulatory guidance and guarantees the repayment of all deposits, including accrued interest. If a credit union is not in compliance with the standards or regulatory guidance, CUDGC has the authority to take necessary action, which may include reducing or restricting the credit union's authorities and limits, taking preventative actions, issuing a compliance order, placing the credit union under supervision or administration, or issuing an amalgamation order.

2. Basis of presentation and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board (IASB). The consolidated financial statements for the year ended December 31, 2022, were approved by the Board of Directors and authorized for issue on March 28, 2023.

The consolidated financial statements have been prepared on the historical cost basis, except for certain investments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the Credit Union takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

3. Summary of significant accounting policies (continued)

(a) Use of estimates and judgements

The preparation of the financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant uses of judgements and estimates are as follows:

(i) Valuation of financial instruments

The Credit Union determines the fair value of financial instruments for which there is no observable market price using a variety of valuation techniques as described further in Note 19. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include consideration of liquidity and other risks affecting the specific instrument.

(ii) Allowances for credit losses

Specific allowances are applied to financial assets evaluated individually for impairment. In particular, management judgement is required to estimate the amount and timing of cash flows the Credit Union expects to receive. These estimates are based on a number of factors, including the net realizable value of any underlying collateral.

The expected credit loss model requires the recognition of twelve months of expected credit losses for performing loans, and of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk requires experienced judgement and considers a number of different factors that vary by product and risk segment. Some of these factors are based on forecasts of future economic conditions. The recognized expected credit losses are determined using these estimates, which may be materially different from actual credit losses realized.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Credit Union and its subsidiary. Assets, liabilities, income and expenses are included in the consolidated financial statements after eliminating inter- company transactions and balances.

The financial statements of the subsidiary are included in the financial statements from the date control commences until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Included in the consolidated financial statements are the following entities:

Entity	Percentage Ownership
TCU Holdings Inc.	100%

3. Summary of significant accounting policies (continued)

(c) Financial instruments

All financial instruments are initially recognized at fair value plus transaction costs, except in the case of financial assets and liabilities classified as fair value through profit or loss (where transaction costs are expensed). The classification of financial assets at initial recognition depends on the entity's business model for managing financial assets and the contractual cash flow characteristics of the instrument. The Credit Union uses settlement date accounting for regular way contracts when recording financial asset transactions. All financial instruments are classified as fair value through profit or loss, amortized cost or fair value through other comprehensive income.

The business model used by the Credit Union is a key consideration for the classification of financial assets. The two primary models are to hold financial assets to collect contractual cashflows, or to hold financial assets to collect contractual cashflows and sell financial assets. The Credit Union's business model is to hold financial assets to collect contractual cash flows.

Embedded derivatives are not separated from the host contract, with the contract treated as one instrument at initial recognition. The classification is determined based on an assessment of the contractual cashflow characteristics and the business model under which is it managed.

(i) Fair value through profit or loss

Financial assets and liabilities are classified as fair value through profit or loss (FVTPL) when the instruments are:

- Held for trading purposes,
- Part of a managed portfolio with a pattern of short-term profit taking,
- Non trading financial assets that do not consist solely of payments of principal and interest (SPPI), or
- Voluntarily designated as such.

Equity instruments are measured at FVTPL unless the asset is not held for trading purposes and an irrevocable election to classify as fair value through other comprehensive income is made. Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized immediately in profit or loss.

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. Unrealized and realized gains/losses from changes in the fair value of derivative instruments are recognized in the consolidated statement of comprehensive income, unless the derivatives are designated in a qualifying hedge accounting relationship. The Credit Union has designated all its derivatives as hedging instruments.

The Credit Union has not voluntarily designated any financial instruments as FVTPL.

3. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Amortized cost

Financial assets classified as amortized cost are debt financial instruments with contractual cash flows that consist solely of payments of principal and interest (SPPI) and are managed on a hold to collect basis. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset, and a profit margin which is recognized using the effective interest rate method. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

All financial liabilities are classified as amortized cost unless it has been classified as FVTPL.

(iii) Fair value through other comprehensive income

Financial assets are classified as fair value through other comprehensive income (FVOCI) when the financial assets:

- Are held within a business model that is to hold to collect contractual cashflows and sell financial assets,
- Have contractual terms that give rise, on specified dates, to cash flows that are SPPI, and
- Are not designated as held for trading.

The following table summarizes the classifications of the Credit Union's various financial instruments:

Classification and Measurement	Amortized Cost	Fair Value Through Profit or Loss (FVTPL)	Fair Value Through Other Comprehensive Income (FVOCI)
Cash and cash equivalents	X		
Preferred shares		X	
SaskCentral shares		X	
SaskCentral investments	X		
Other investments		X	
Provincial and corporate bonds		X	
Derivatives		X	
Derivatives – cash flow hedge			X
Loans receivable	X		
Accrued interest	X		
Deposits	X		
Secured borrowing	X		
Other liabilities	X		
Membership shares	X		

3. Summary of significant accounting policies (continued)

(d) Impairment

The Credit Union assesses financial assets, other than those recorded at FVTPL, for indicators of impairment at each reporting period.

Loans receivable

The Credit Union uses the expected credit loss (ECL) impairment model to measure the loss allowance on loans receivable, in the following categories:

- Stage 1 – the expected losses for the next 12 months on performing financial assets,
- Stage 2 – the expected lifetime losses on performing financial assets that have experienced a significant increase in credit risk since origination, and
- Stage 3 – the expected lifetime losses on credit impaired financial assets.

Stage 1 assets consist of performing loans with credit risk that have not increased significantly since origination. Stage 2 assets consist of performing loans with credit risk that has increased significantly since origination. Stage 3 assets consist of high risk, non-performing or doubtful loans, where it is not expected that the principal and interest will be collected in full. Stage 1 and Stage 2 performing loans are included in the analysis without consideration of collateral value. Stage 3 doubtful loans are included in the analysis at the balance outstanding less any collateral value and consideration of collection costs. Individual loan assets move between stages as credit risk increases or decreases.

Movement in the stages relies on judgment to assess whether a loan's credit risk has significantly increased relative to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instrument level. Assessing for significant increases in credit risk is performed quarterly based on factors noted in the following paragraph.

In determining the expected credit losses, Management assesses each loan asset and assigns a risk rating of Stage 1 Remote/Low Risk, Stage 2 Moderate Risk or Stage 3 Higher Risk. Management also estimates the probability of default and expected loss ratio for each risk rating category, considering a number of factors, such as product type and terms, local, provincial and national economic factors, historical loss experience and delinquency trends. Certain factors are based on forecasts of future economic conditions, such as housing starts, unemployment and interest rates. Loan assets which were modified, but not derecognized, during the period are specifically assessed to determine if there has been a significant increase in credit risk by comparing the risk of default at the origination of the loan to the risk of default at the reporting date.

The probability of default and the expected loss ratio are applied to the loan assets classified in each stage to estimate the expected credit loss.

At each reporting period, the Credit Union performs the analysis to estimate the loan allowance including whether there has been a significant increase in credit risk since recognition. Changes in the loan allowance are recognized in the provision for credit losses on the statement of comprehensive income as they occur.

When a loan is impaired, any collateral has been realized, and there is no expectation of recovery, the loan is written off. Records about written off loans are maintained in case future recoveries are received. Loan allowances on loans written off in the period are reversed in the period the loan is written off. Recoveries on loans written off are recognized in revenue in the period the amount is received.

3. Summary of significant accounting policies (continued)

(d) Impairment (continued)

Investments and other financial assets

The Credit Union uses the expected credit loss impairment model to measure the loss impairment on investments and other financial assets. Management assesses each individual asset and determines whether there has been a significant increase in credit risk since origination and the probability of default. The factors considered include significant financial difficulty of the issuer or counterparty, disappearance of an active market for the security, prolonged decline in the fair value of a security, as well as local, provincial and national economic factors.

At each reporting period, the Credit Union analyzes individual investments and other financial assets to estimate the expected credit loss. Changes in the estimated credit loss are recognized in investment revenue for investments and other revenue for other financial assets on the statement of comprehensive income as they occur.

Non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

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

(e) Assets held for sale

Assets are considered held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

(f) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost of valuation of assets less their residual values over their useful lives. Depreciation is based on the estimated useful life of the item using the following methods and rate or terms:

Computer & communications equipment and programs	4 – 8 years	straight-line
Buildings	40 years	straight-line
Furnishings, equipment	10 years	straight-line
Leasehold improvements	15 years	straight-line

3. Summary of significant accounting policies (continued)

(g) Intangible assets

Specified intangible assets are recognized and reported separately. Definite life intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over 4 - 8 years for purchased software and 10 years for naming rights, based upon management's best estimate of the useful life of the asset, and included in the statement of comprehensive income. The estimated useful life and amortization method are reviewed at each year end and adjusted if appropriate. At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Gains and losses on the disposal of intangible assets are recorded in the statement of comprehensive income in the year of disposal.

(h) Leases

The Credit Union classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration. With the exception of certain short-term and low-value leases, the Credit Union recognizes a lease liability and right-of-use asset for all leases at commencement.

Lease liabilities are initially measured at the present value of the future lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Credit Union's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based upon a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain that the Credit Union will exercise the option. Variable lease payments which are not based upon a rate or index are excluded from the measurement of the lease liability and are recognized in occupancy expense as they are incurred.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right-of-use assets are subsequently depreciated on a straight-line basis over the term of the lease, or the estimated useful life of the asset as determined on the same basis as the Credit Union's other property and equipment noted above, whichever is shorter.

Changes in facts and circumstances which impact the future lease payments, including whether an option is reasonably certain to be exercised, result in a remeasurement of the lease liability. When a remeasurement occurs, a corresponding adjustment is made to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced below zero.

(i) Investment property

Investment property consists of land and buildings held to earn rental income. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Property held for use in the supply of service to members or for administrative use that has a portion that earns rental income is allocated between investment property and property and equipment, based on the floor space usage.

3. Summary of significant accounting policies (continued)

(i) Investment property (continued)

Depreciation is recorded in general business expense in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life, commencing in the month the asset becomes available for use. The estimated useful lives of investment property are determined on the same basis as those of property and equipment above. Depreciation methods, residual values, and estimates of useful lives are reviewed annually.

(j) Income taxes

Income tax expense is comprised of current and deferred taxes which are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for tax purposes. These amounts are measured using enacted or substantially enacted tax rates at the reporting date and re-measured annually for rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for tax purposes to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized. Any effect of the re-measurement or re-assessment is recognized in the period of change, except when they relate to items recognized directly in other comprehensive income. The Credit Union is taxed at an effective rate of 25.4% on taxable earnings eligible for that rate and at 27% on the excess balance.

Deferred taxes are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or for different tax entities where the Credit Union intends to settle its current tax assets and liabilities on a net basis or simultaneously.

(k) Derivative financial instruments and hedge accounting

Hedge accounting qualification

The Credit Union designates all of its derivatives as cash flow hedging instruments where the derivative is highly effective in offsetting either changes in the fair value or cash flows attributable to the hedged item.

At the inception of the hedge accounting relationship, the Credit Union documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Credit Union documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effective requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the documented hedge ratio matches the actual ratio of the hedged item and hedging instrument.

3. Summary of significant accounting policies (continued)

(k) Derivative financial instruments and hedge accounting (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designate hedging relationship remains the same, the Credit Union rebalances the hedge so that it meets the qualifying criteria again.

The Credit Union discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated, or exercised. The discontinuation is accounted prospectively.

Cash flow hedges

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of income taxes, is recorded in other comprehensive income (OCI) while the ineffective portion is recorded within other income on the consolidated statement of comprehensive income when the hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting (after rebalancing, if applicable), hedge accounting is discontinued and the amounts previously recorded in OCI are reclassified to net interest income during the periods when the variability in the cash flows of the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts previously recorded in OCI are immediately reclassified to other income.

(l) Employee benefits

The Credit Union provides certain pension and other benefits to employees as follows:

Short-term employee benefits

Short-term employee benefits, such as salaries, incentive pay programs, vacation, medical benefits, allowances, paid absences, and other benefits including any related payroll taxes, are accounted for on an accrual basis over the period in which employees provide the related services. The benefits are expensed as part of personnel expenses in the consolidated statement of comprehensive income.

Termination benefits

Termination benefits are recognized when the Credit Union is committed to terminating the employment of a current employee according to a formal plan without possibility of withdrawal. Termination benefits are expensed as part of personnel expenses in the consolidated statement of comprehensive income.

Post-employment benefits

Defined Contribution Superannuation Plan

The Credit Union contributes to a defined contribution superannuation plan, which provides benefits to employees upon retirement or death. The Credit Union has no financial interest in the plan and is not liable for the performance or obligations of the plan. Credit Union contributions to the plan of $552,077 (2021 - $485,637) were paid during the year.

Employee benefits are recognized within personnel expenses in the consolidated statement of comprehensive income. Accrued and unpaid amounts are included in accounts payable and other liabilities in the consolidated statement of financial position.

4. Cash and cash equivalents

	2022	2021
Cash on hand	2,120,511	2,866,197
Deposits at call – SaskCentral	11,497,959	9,670,172
Deposits at call – Other	315,176	275,709
Cheques and items in transit	1,021,530	--
	14,955,176	12,812,078
Restricted cash	6,977,215	1,225,282
Cash and cash equivalents	21,932,391	14,037,360

Restricted cash is comprised of cash reserves for the Credit Union's securitized programs and collateral posted for derivatives. Restricted cash is not available for use in the Credit Union's day-to-day operations.

5. Other assets

	2022	2021
Accounts receivable	10,268,750	1,449,016
Deferred income tax assets	3,070,306	759,200
Income taxes receivable	360,894	368,710
Prepaid service contracts	1,452,065	--
Prepaid expenses	700,373	726,330
	15,852,388	3,303,256

Included within accounts receivable are the dividends declared by SaskCentral and due to the Credit Union. In 2022, SaskCentral announced its intention to sell its shares in Concentra Bank to Equitable Bank, with the transaction closing on October 31, 2022. Dividends declared and payable to the Credit Union by SaskCentral are $9,990,555 (2021 - $220,381), of which $9,964,805 is attributable to the 2022 sale of Concentra Bank.

6. Investments

	2022	2021
Amortized cost		
SaskCentral liquidity deposits	64,829,987	65,418,500
SaskCentral demand deposit	--	8,300,000
	64,829,987	73,718,500
Fair value through profit or loss:		
Provincial and corporate bonds	28,745,636	39,155,404
SaskCentral shares	4,764,110	7,240,059
Preferred shares	2,000,000	2,000,000
Other investments	2,968,518	2,946,271
Accrued interest	555,095	836,871
	39,033,359	52,178,605
ECL allowance on investments	(10,041)	--
	39,023,318	52,178,605
Total investments	103,853,305	125,897,105

6. Investments (continued)

At December 31, 2022, $49,022,465 (2021 - $51,925,381) of investments are expected to be recovered more than 12 months after the reporting date.

Pursuant to Regulation 18(1)(a), credit unions must maintain 10% of total liabilities, using a prescribed formula, in specified liquidity deposits in SaskCentral, in addition to liquidity required to meet their normal cash flow requirements. As of December 31, 2022, the Credit Union met the requirement.

7. Loans receivable

As at December 31, 2022	Stage 1	Stage 2	Stage 3	Total Loans
Residential mortgages	208,222,144	17,800,046	4,268,786	230,290,976
Home equity lines of credit	99,613,265	2,409,001	279,364	102,301,630
Personal loans	6,940,648	980,693	80,636	8,001,977
Commercial loans	203,577,025	13,245,609	426,065	217,248,699
Lines of credit and overdrafts	21,335,087	822,292	1,519,500	23,676,879
Leases	584,008	--	--	584,008
Gross loans	540,272,177	35,257,641	6,574,351	582,104,169
Accrued interest	1,607,861	95,544	262,456	1,965,861
Allowance for credit losses	(633,075)	(514,166)	(749,480)	(1,896,721)
Foreclosed property held for resale	--	--	--	49,395
Net loans	541,246,963	34,839,019	6,087,327	582,222,704

As at December 31, 2021	Stage 1	Stage 2	Stage 3	Total Loans
Residential mortgages	202,030,539	18,375,713	5,166,181	225,572,432
Home equity lines of credit	105,339,892	2,162,936	48,906	107,551,733
Personal loans	8,702,321	519,820	119,071	9,341,211
Commercial loans	193,504,228	29,010,181	524,340	223,038,749
Lines of credit and overdrafts	18,387,148	673,171	1,652,621	20,712,940
Leases	752,908	--	--	752,908
Gross loans	582,717,035	50,741,820	7,511,119	586,969,974
Accrued Interest	1,100,519	126,126	227,112	1,453,757
Allowance for credit losses	(620,789)	(1,156,472)	(790,916)	(2,568,177)
Foreclosed property held for resale	--	--	--	1,094,253
Net loans	529,196,765	49,711,474	6,947,315	586,949,807

Loans to members, excluding accrued interest, mature as follow:

	2022	2021
Under 1 year	263,840,723	284,609,420
1 to 2 years	71,898,341	105,836,703
2 to 3 years	85,440,678	59,751,192
3 to 4 years	94,168,536	63,021,976
Over 4 years	66,755,891	73,750,683
	582,104,169	586,969,974

7. Loans receivable (continued)

Allowance for credit losses

A summary of the loan allowance for expected credit losses is as follows:

	12-Month ECL (Stage 1)	Lifetime ECL Non-credit impaired (Stage 2)	Lifetime ECL Credit impaired (Stage 3)	Total
As at January 1, 2021	625,053	493,977	867,011	1,986,041
Transfer to (from)				
Stage 1	(62,718)	61,940	778	--
Stage 2	9,735	(92,193)	82,458	--
Stage 3	--	--	--	--
Net remeasurements	48,719	692,748	1,068,727	1,810,195
Loans written-off, net of recoveries	--	--	(1,228,058)	(1,228,058)
As at December 31, 2021	620,789	1,156,472	790,916	2,568,177
Transfer to (from)				
Stage 1	(241,849)	241,849	--	--
Stage 2	8,203	(46,984)	38,781	--
Stage 3	-	775	(775)	--
Net remeasurements	370,610	(155,743)	23,020	237,887
Derecognitions and maturities	(145,451)	(684,009)	(17,058)	(846,518)
Loan originations	20,773	1,806	--	22,579
Loans written-off, net of recoveries	--	--	(85,404)	(85,404)
As at December 31, 2022	633,075	514,166	749,480	1,896,721

The following table discloses the changes in the allowance for credit losses:

	2022	2021
Balance at beginning of year	2,568,177	1,986,041
Charge for loan impairment	(586,052)	1,810,194
Charge for investment impairment (Note 6)	10,041	--
Write-offs, net of recoveries	(85,404)	(1,228,058)
Balance at end of the year	1,906,762	2,568,177
	2,568,177	1,986,041

7. Loans receivable (continued)

Credit quality of member loans

The following table outlines the ranges used for the categorization of credit risk assessments:

Risk Assessment	Beacon Score Range for Residential Mortgage and Personal Loans	Risk Rating Range for Commercial Loans
Very low risk	760+	1
Low risk	681 < 759	2 and 3
Medium risk	620 < 680	4, 5 and 6
High risk / impaired	Less than 620	7, 8, 9 or 10

The following table presents the gross carrying amount of loans subject to impairment by risk category:

As at December 31, 2022	Residential Mortgages	Personal Loans	Commercial Loans	Total Loans
Risk Categories				
Very low risk	193,228,535	7,541,386	--	200,769,921
Low risk	92,494,843	7,244,718	17,046,033	116,785,594
Medium risk	34,219,284	3,434,970	210,920,750	248,575,004
High risk	8,101,795	588,139	709,365	9,399,299
Impaired	4,548,150	80,636	1,945,565	6,574,351
Total loans	332,592,607	18,889,849	230,621,713	582,104,169

As at December 31, 2021	Residential Mortgages	Personal Loans	Commercial Loans	Total Loans
Risk Categories				
Very low risk	188,942,527	8,426,827	--	197,369,354
Low risk	85,779,543	8,112,963	12,120,279	106,012,785
Medium risk	38,757,942	2,815,113	195,165,808	236,738,863
High risk	14,429,067	550,706	24,358,080	39,337,853
Impaired	5,215,087	128,689	2,167,343	7,511,119
Total loans	333,124,166	20,034,298	233,811,510	586,969,974

Performing status of member loans

As at December 31, 2022	Residential Mortgages	Personal Loans	Commercial Loans	Total Loans
Current	327,627,034	18,668,383	230,190,425	576,485,842
1 – 30 days delinquent	1,932,644	109,662	431,288	2,473,594
31 – 60 days delinquent	227,933	68,381	--	296,314
61 – 90 days delinquent	324,888	--	--	324,888
Greater than 90 days delinquent	2,480,108	43,423	--	2,523,531
Total loans	332,592,607	18,889,849	230,621,713	582,104,169

7. Loans receivable (continued)

Performing status of member loans (continued)

As at December 31, 2021	Residential Mortgages	Personal Loans	Commercial Loans	Total Loans
Current	328,886,665	19,946,063	233,713,279	582,546,007
1 – 30 days delinquent	2,261,806	34,490	74,857	2,371,153
31 – 60 days delinquent	--	15,775	23,374	39,149
61 – 90 days delinquent	--	1,971	--	1,971
Greater than 90 days delinquent	1,975,695	35,999	--	2,011,694
Total loans	333,124,166	20,034,298	233,811,510	586,969,974

See Note 20 – Risk Management, Credit Risk – for additional information on how the Credit Union manages and assesses credit risk within its loan and investment portfolios.

8. Derivatives

	December 31, 2022					
	Notional Amounts				Fair Values	
	< 1 year	1 to 5 years	> 5 years	Total	Asset	Liability
Swap contracts	25,000,000	65,000,000	--	90,000,000	--	5,626,873
Forward contracts	--	10,000,000	--	10,000,000	--	372,626
Interest rate derivatives	25,000,000	75,000,000	--	100,000,000	--	5,999,499

	December 31, 2021					
	Notional Amounts				Fair Values	
	< 1 year	1 to 5 years	> 5 years	Total	Asset	Liability
Swap contracts	45,700,000	65,000,000	--	110,700,000	228,529	--
Forward contracts	--	5,000,000	15,000,000	20,000,000	54,777	--
Interest rate derivatives	45,700,000	70,000,000	15,000,000	130,700,000	283,306	--

The fair value amounts include accrued interest.

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They do not represent credit or market risk exposure. Notional amounts are not exchanged.

The Credit Union has entered into a cash flow hedge to manage a portion of the interest rate risk that arises from the variable interest cash flows associated with its prime based loans. All swap contracts held are cash flow hedges. The net interest income and expense for the hedged and hedging items are recognized in interest income as it is realized. When the hedge results are effective, all gains and losses of the derivative are initially posted to other comprehensive income and are reclassified to income in the period in which the cash flows from the hedged risk are recorded. Any ineffectiveness is immediately recognized in profit or loss.

The following table summarizes the hedge ineffectiveness gains (losses) recognized in profit or loss:

	2022	2021
Cash flow hedges	--	--

9. Property and equipment

	Land	Building	Furniture and equipment	Total
Cost				
Balance at January 1, 2021	1,782,898	9,599,406	8,057,706	19,440,010
Additions	--	--	370,582	370,582
Disposals/transfers	--	--	(14,295)	(14,295)
Balance at December 31, 2021	1,782,898	9,599,406	8,413,993	19,796,297
Additions	--	--	44,345	44,345
Disposals/transfers	--	--	(36,722)	(36,722)
Impairment	--	--	--	--
Balance at December 31, 2022	1,782,898	9,599,406	8,421,616	19,803,920
Accumulated depreciation				
Balance at January 1, 2021	--	4,008,365	7,069,690	11,078,055
Depreciation	--	409,294	444,347	853,641
Disposals/transfers	--	--	(4,467)	(4,476)
Balance at December 31, 2021	--	4,417,659	7,509,570	11,927,229
Depreciation	--	408,926	346,204	755,130
Disposals/transfers	--	--	(22,782)	(22,782)
Balance at December 31, 2022	--	4,826,585	7,832,992	12,659,577
Net book value				
Balance at December 31, 2021	1,782,898	5,181,747	904,423	7,869,068
Balance at December 31, 2022	1,782,898	4,772,821	588,624	7,144,343

10. Right-of-use assets

	Facilities	Other	Total
Cost			
Balance at January 1, 2021	2,627,389	89,783	2,717,172
Additions	--	--	--
Disposals	--	--	--
Balance at December 31, 2021	2,627,389	89,783	2,717,172
Additions	--	--	--
Disposals	--	--	--
Balance at December 31, 2022	2,627,389	89,783	2,717,172
Accumulated depreciation			
Balance at January 1, 2021	1,087,673	82,301	1,169,974
Depreciation	187,229	7,482	194,711
Disposals	--	--	--
Balance at December 31, 2021	1,274,902	89,783	1,364,685
Depreciation	187,229	--	187,229
Disposals	--	--	--
Balance at December 31, 2022	1,462,131	89,783	1,551,914
Net book value			
Balance at December 31, 2021	1,352,487	--	1,352,487
Balance at December 31, 2022	1,165,258	--	1,165,258

10. Right-of-use assets (continued)

Lease payments and expense	2022	2021
Interest expense on lease liabilities	52,709	59,243
Expenses related to variable lease payments	117,318	113,009
Total amounts recognized in profit or loss	170,027	172,252
Repayment of lease liabilities	186,376	187,735
Total cash outflow for leases	356,403	359,987

The variable lease payments that are not included in the calculation of the lease liability include operating costs associated with the lease that are not based on index or rate. The lease liability carrying value at December 31, 2022 is $1,404,466 (2021 - $1,590,842).

11. Investment property

	Land	Facilities	Total
Cost			
Balance at January 1, 2021	591,983	1,986,540	2,578,523
Additions	--	--	--
Disposals	--	--	--
Balance at December 31, 2021	591,983	1,986,540	2,578,523
Additions	--	--	--
Disposals	--	--	--
Balance at December 31, 2022	591,983	1,986,540	5,278,523
Accumulated depreciation			
Balance at January 1, 2021	--	646,790	646,790
Depreciation	--	58,735	58,735
Disposals	--	--	--
Balance at December 31, 2021	--	705,525	705,525
Depreciation	--	58,735	58,735
Disposals	--	--	--
Balance at December 31, 2022	--	764,260	764,260
Net book value			
Balance at December 31, 2021	591,983	1,281,015	1,872,998
Balance at December 31, 2022	591,983	1,222,280	1,814,263

11. Investment property (continued)

	2022	2021
Income related to investment property		
Rental income	237,476	210,436
Direct operating expenses	103,176	102,692
	134,300	107,744
Future rental payments receivable:		
Not later than one year	152,948	177,571
Later than one year and not later than five years	535,319	736,406
Later than five years	--	97,243
	688,267	1,011,221

12. Intangible assets

	Purchased software	Naming rights	Total
Cost			
Balance at January 1, 2021	930,553	2,205,000	3,135,553
Additions	1,561,333	--	1,561,333
Disposals/transfers	--	--	--
Balance at December 31, 2021	2,491,886	2,205,000	4,696,886
Additions	341,955	--	341,955
Disposals/transfers	(2,173,760)	--	(2,173,760)
Impairment	--	(496,125)	(496,125)
Balance at December 31, 2022	660,081	1,708,875	2,368,956
Accumulated amortization			
Balance at January 1, 2021	57,499	1,112,743	1,170,242
Amortization	151,352	181,960	333,311
Disposals/transfers	--	--	--
Balance at December 31, 2021	208,851	1,294,703	1,503,553
Amortization	448,805	181,960	630,765
Disposals/transfers	(186,983)	--	(186,983)
Balance at December 31, 2022	470,673	1,476,663	1,947,335
Net book value			
Balance at December 31, 2021	2,283,036	910,297	3,193,333
Balance at December 31, 2022	189,408	232,212	421,621

The carrying amount of intangible assets includes assets under development at December 31, 2022 of $nil (2021 - $1,662,087).

13. Other liabilities

	2022	2021
Payroll related amounts	1,166,734	172,165
Other accounts payable	1.824,723	2,471,318
Unearned revenue	114,945	1,575
Unclaimed balances	107,016	104,870
	3,213,418	2,749,928

14. Deposits

	2022	2021
Chequing	178,376,170	168,225,421
Savings	81,674,795	89,943,113
Term deposits	233,171,077	256,325,513
Registered accounts	134,825,408	136,356,567
Accrued interest	3,028,772	2,275,886
	631,076,222	653,126,500

At December 31, 2022, $126,205,000 (2021 - $139,728,000) of deposits are expected to be settled more than 12 months after the reporting date.

15. Secured borrowing

The Credit Union has transferred an amortizing ownership interest in various qualifying residential mortgage receivables to various investors through the National Housing Act (NHA) Mortgage-Backed Securities (MBS) Program. During 2022, $-nil- (2021 – $-nil-) has been transferred. The Credit Union retains the responsibility for servicing the qualifying residential mortgage receivables. Under the program, the Credit Union has an obligation to forward principal and interest amounts as per each individual mortgage agreement loans to Canada Mortgage and Housing Corporation (CMHC) monthly, whether or not it receives payments from mortgagees. The Credit Union retains certain prepayment risk, timely payment guarantees risk and interest rate risk related to the transferred mortgages. Due to retention of these risks, transferred mortgages are not derecognized and the securitization proceeds are accounted for as secured borrowings. There are generally no expected credit losses on the securitized mortgage assets, as the mortgages are insured against default. Further, investors and CMHC have no recourse against other assets of the Credit Union in the event of failure of mortgages.

Mortgage loans are pledged against the MBS issuances. As a requirement of the MBS program, the Credit Union assigns and transfers to CMHC, all of its rights, title, and interest in existing mortgage pools. If the Credit Union fails to make timely payments under the MBS security, CMHC may enforce assignment to CMHC of the mortgages included in the mortgage pools backing the securities issued. If CMHC enforces the assignments, all authority and power of the Credit Union under the terms of the MBS guide, whether with respect to securities issued or mortgages pooled in the contract, shall pass to and be vested with CMHC.

The associated liability, secured by these loans, is carried at amortized cost and included in secured debt on the consolidated statement of financial position. The associated liability at December 31, 2022, is recorded net of unamortized transaction costs of $39,234 (2021 - $91,121).

15. Secured borrowing (continued)

As part of its liquidity management strategy, the Credit Union retains part of its issued NHA MBS certificates. NHA MBS certificates that have been retained by the Credit Union are $10,025,069 (2021 - $10,873,824) with a fair value of $9,362,635 (2021 - $10,621,114). These unsold NHA MBS certificates are reported in loans receivable in the consolidated statement of financial position.

The following table summarized the carrying amounts and the secured debt maturities:

	2022		2021	
	Loan assets	Secured debt	Loan assets	Secured debt
Less than 1 year	8,240,496	8,177,802	8,761,715	8,822,865
1 year and over	--	--	10,320,379	10,263,622
Total securitization	8,240,496	8,177,802	19,082,094	19,086,487

The following table illustrates the fair value of the transferred assets, the associated liabilities and the resulting net position:

	2022	2021
Fair value of transferred assets	8,240,496	19,082,094
Less: fair value of secured debt	8,081,029	19,225,758
Net position	159,467	(143,664)

16. Loans payable

SaskCentral

The Credit Union has an authorized line of credit with SaskCentral in the amount of $7,700,000 (2021 - $7,700,000) bearing an interest rate of prime less 0.50%. Prime was 6.45% at December 31, 2022. Additionally, the Credit Union has a US dollar denominated line of credit with SaskCentral in the amount of $100,000 (2021 - $100,000) bearing an interest rate of 6.95% (2021 – 3.75%.) At December 31, 2022, and 2021, the Credit Union had no outstanding balances on its SaskCentral line of credit facilities.

The Credit Union has access to a commercial paper facility in the amount of $3,800,000 (2021 - $3,800,000) through SaskCentral. Under the program, the Credit Union may request drawings up to the established limit. The principal amount and interest are due on the maturity date of the commercial paper issued by SaskCentral. The interest rate payable is the commercial paper market term rate as establish plus 0.375%. As of December 31, 2022, the Credit Union has drawn $3,800,000 (2021 - $3,500,000), bearing an interest rate of 5.05% (2021 – 0.67%). The Credit Union maintains a short-term repo credit facility in the amount of $3,800,000 (2021 - $3,800,000) with SaskCentral. The interest rate payable on this short-term repo credit facility is the Bank of Canada overnight rate plus 0.50% (2021 – 0.50%). The Credit Union has no outstanding balances on its short-term repo credit facility with SaskCentral.

All SaskCentral bank indebtedness agreements are secured by general security agreements registered against the assets of the Credit Union.

16. Loans payable (continued)

Equitable Bank (formerly Concentra Bank)

The Credit Union has a secured quick line (revolving credit facility) in the amount of $40,000,000 from Equitable Bank. The intended purpose of the credit facility is to support the Credit Union's liquidity needs in extending loans to members and to finance any other operating requirements. The credit facility is secured by residential mortgages equaling 110% of the credit limit insured by CMHC or Sagen (Genworth Financial Corporation), as well as a second charge security interest against the assets of the Credit Union. The interest rate payable under this facility is the three-month CDOR rate plus 1.00%, with an annual standby fee of 0.20%. As of December 31, 2022, the Credit Union has drawn $12,000,000 (2021 - $Nil) on its Eqiotable Bank quick line credit facilities.

17. Membership shares and equity accounts

Membership shares

Membership shares are as provided for by *The Credit Union Act, 1998* and administered according to the terms of the Credit Union bylaws which sets out the rights, privileges, restrictions and conditions.

The authorized share capital is unlimited in amount and consists of fully paid shares with a par value of $5 per share. These accounts are not guaranteed by CUDGC. Characteristics include permanence, freedom from mandatory charge and subordination to the rights of creditors and depositors.

18. Capital management

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

The Credit Union follows a risk-weighted asset calculation for credit and operational risk. Under this approach, credit unions are required to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments. Based on the prescribed risk of each type of asset, a weighting of 0% to 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 total tier 1 capital to risk- weighted assets of 6% and a minimum common equity tier 1 capital to risk-weighted assets of 4%. Eligible capital consists of total tier 1 and tier 2 capital. In addition to the minimum capital ratios, the Credit Union is required to hold a capital conservation buffer of 2.5%. The capital conservation buffer is designed to avoid breaches of the minimum capital requirement. Outside periods of stress, the Credit Union is required to hold buffers of capital above the regulatory minimum. If the buffer is drawn down, the Credit Union will be required to implement a capital plan for rebuilding the buffer within a reasonable time frame.

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 the tier 1 requirements for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital includes retained earnings, contributed surplus and accumulated other comprehensive income. 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.

18. Capital management (continued)

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. All items deducted from capital are excluded from total assets.

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

	Regulatory standard (Minimum plus 2.5% buffer)	Board Minimum
Total eligible capital to risk-weighted assets	10.5%	13.0%
Total tier 1 capital to risk-weighted assets	8.5%	9.5%
Common equity tier 1 capital to risk-weighted assets	7.0%	9.5%
Leverage ratio	5.0%	6.0%

During the year, the Credit Union complied with all internal and external capital requirements. The following table summarizes key capital information:

	2022	2021
CET1 capital comprises:		
Retained earnings	72,767,699	64,748,494
Accumulated other comprehensive income (loss)	(4,106,848)	(116,896)
Deductions from CET1 capital:		
Intangible assets	(421,621)	(3,193,333)
Deferred tax assets	(2,555,376)	(759,201)
Eligible CET1 capital	65,683,855	60,679,064
Additional tier 1 capital		
Total eligible tier 1 capital	65,683,855	60,679,064
Tier 2 capital comprises:		
Membership capital	74,015	73,365
Collective allowance	1,157,282	1,777,261
Total tier 2 capital	1,231,297	1,850,626
Total eligible capital	66,915,152	62,259,690
Risk weighted assets	435,596,648	442,113,011
Total eligible capital to risk-weighted assets	15.4%	14.1%
Total tier 1 capital to risk-weighted assets	15.1%	13.7%
Common equity tier 1 capital to risk-weighted assets	15.1%	13.7%
Leverage ratio	8.9%	8.0%

19. Fair value of financial instruments

Summary of valuation methods and assumptions

The Credit Union uses a variety of valuation techniques to measure the fair value of its financial instruments including the use of relevant market prices (Level 1) and valuation models which rely on both observable (Level 2) and unobservable (Level 3) inputs based on information available at the reporting date. Due to the use of subjective judgement and uncertainties, the aggregate fair value amounts disclosed in the consolidated financial statements should not be interpreted as necessarily being realizable in an immediate settlement or sale. The following is a summary of the methods and assumptions that were used to estimate fair values of financial instruments:

- the fair values of short-term financial instruments including cash, other assets, and other liabilities are approximately equal to their book values due to their short term nature;
- the values of investments are based on quoted market prices, when available, or quoted market prices of similar investments;
- for variable interest rate loans that re-price frequently, fair values approximate book values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans;
- the fair values of deposits with unspecified maturity terms are approximately equal to their carrying values. Fair values for other deposits and loans payable with specified maturity terms is estimated using discounted cash flow calculations at market interest rates for similar groups of deposits; and
- the fair values of derivative financial instruments are estimated by reference to the appropriate current market yields with matching terms of maturity. The fair values reflect the estimated amount that the Credit Union would receive or pay to terminate the contracts at the reporting date.

Carrying values and fair value hierarchy

The following table summarizes the carrying values and fair values the Credit Union's financial instruments:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	21,932,391	21,932,391	14,037,360	14,037,360
Investments	103,853,305	102,524,882	125,897,105	125,911,479
Loans	582,222,704	560,125,309	586,949,807	588,871,532
Derivative assets	--	--	283,306	283,306
Other assets	10,268,750	10,268,750	1,449,016	1,449,016
Total financial assets	718,277,150	694,851,333	728,616,594	730,552,693
FINANCIAL LIABILITIES				
Deposits	631,076,222	624,463,147	653,126,500	655,257,446
Loans payable	15,800,000	15,800,000	3,500,000	3,500,000
Secured borrowing	8,177,802	8,081,029	19,086,487	19,225,758
Membership shares	74,015	74,015	73,365	73,365
Lease liabilities	1,404,466	1,404,466	1,590,842	1,590,842
Derivative liabilities	5,999,499	5,999,499	--	--
Other liabilities	3,098,473	3,068,473	2,748,353	2,748,353
Total financial liabilities	665,630,477	658,920,629	680,125,547	682,395,764

19. Fair value of financial instruments (continued)

The fair value and related carrying value of the financial instruments have been summarized in the table below by level within the fair value hierarchy, except those financial instruments whose carrying amount is a reasonable approximation of fair value.

	2022			
FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
SaskCentral shares	--	4,764,110	--	4,764,110
Preferred shares	--	2,000,000	--	2,000,000
Other investments	--	--	2,968,518	2,968,518
Provincial and corporate bonds	--	28,745,635	--	28,745,635
Financial assets at amortized cost				
Investments	--	64,046,618	--	64,046,618
Loans	--	560,125,309	--	560,125,309
Total financial assets	--	659,681,673	2,968,518	662,650,191
FINANCIAL LIABILITIES				
Financial liabilities at FVOCI				
Derivative liabilities	--	5,999,499	--	5,999,499
Financial liabilities at amortized cost				
Deposits	--	624,463,147	--	624,463,147
Loans payable and secured borrowing	--	23,881,029	--	23,881,029
Total financial liabilities	--	654,343,675	--	654,343,675

	2021			
FINANCIAL ASSETS	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
SaskCentral shares	--	7,240,059	--	7,240,059
Preferred shares	--	2,000,000	--	2,000,000
Other investments	--	--	2,946,271	2,946,271
Provincial and corporate bonds	--	39,155,404	--	39,155,404
Financial assets at FVOCI				
Derivative assets	--	283,306	--	283,306
Financial assets at amortized cost				
Investments	--	74,569,745	--	74,569,745
Loans	--	588,871,532	--	588,871,532
Total financial assets	--	712,120,046	2,946,271	715,066,317
FINANCIAL LIABILITIES				
Financial liabilities at amortized cost				
Deposits	--	655,257,446	--	655,257,446
Loans payable and secured borrowing	--	22,725,758	--	22,725,758
Total financial liabilities	--	677,983,204	--	677,983,204

20. Financial risk management

The following note presents information about the Credit Union's exposure to risks from its financial instruments and the objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty defaults on its contractual payment obligations. Credit risk may arise from loans, receivables and investments.

Credit risk is managed in accordance with policies and procedures established by the Board of Directors. In addition, CUDGC establishes standards with which the Credit Union must comply. The Credit Union's Board has established lending policies and procedures which outline the minimum standards and criteria for granting credit to borrowers. Certain types of lending are subject to an annual review process to ensure that standards continue to be met. Accounts which are deemed to be of higher-than-average risk are monitored more frequently. Policy and procedures also specify the type of assets which may be taken as collateral and the techniques for valuation.

The Credit Union has established credit limits for individual borrowers to manage overall credit risk of the portfolio and establish parameters for credit diversification. The maximum aggregate credit per member is limited to 25% of capital. The established portfolio mix for 2022 is:

	Board objectives	Actual
Consumer	60%	60.4%
Commercial	40%	39.6%

Except as otherwise noted below, the carrying amount of the financial assets recognized in the consolidated financial statements, which is net of impairment losses, represents the Credit Union's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

The following table discloses the Credit Union's exposure to credit risk by risk rating grades:

	Loans	Investments
Very low risk, low risk	317,555,515	100,339,733
Medium risk	248,575,004	2,968,518
High risk	9,399,299	--
Impaired	6,574,351	--
Gross credit exposures	582,104,169	103,308,251
Accrued interest	1,965,861	555,095
Allowance for credit losses	(1,896,721)	(10,041)
Total credit risk exposures, net	582,173,309	103,853,305

Liquidity risk

Liquidity risk is the risk of financial loss to the Credit Union in the event that the Credit Union is unable to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet its financial commitments as they come due. Liquidity risk is managed in accordance with policies and procedures established by the Board of Directors. In addition, CUDGC establishes standards to which the Credit Union must comply. The Credit Union's primary liquidity risk policies and procedures include policies for minimum liquidity holdings, monthly monitoring and access to additional short-term financing.

20. Financial risk management (continued)

The Credit Union enters into transactions to purchase goods and services on credit and/or borrow funds for which repayment is required at various maturity dates, including processing the financial transactions of borrowers and depositors. Liquidity risk is measured by reviewing the Credit Union's future cash flows for the possibility of a negative net cash flow. The contractual maturities of financial liabilities can be found within the table under interest rate risk.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is a regulatory requirement of CUDGC. The minimum LCR requirement of 100% was effective January 1, 2019. The objective of the LCR is to ensure the Credit Union has an adequate stock of unencumbered high quality liquid assets (HQLA) that: (1) consists of cash or assets that can be converted into cash at little or no loss of value, and; (2) meets its liquidity needs for a 30-calendar day stress scenario.

Inflow and outflow values are calculated as outstanding balances maturing or callable within 30 days of various types of liabilities, off-balance sheet items or contractual receivables. These items are weighted after the application of haircuts (for HQLA) and inflow and outflow rates are prescribed by CUDGC. The LCR is calculated as the weighted value of HQLA divided by the weighted value of total net cash outflows.

	2022		2021	
	Actual	Weighted	Actual	Weighted
High quality liquid assets (HQLA)				
Level 1 assets	53,454,813	53,454,813	49,354,339	49,354,339
Level 2A assets	4,948,038	4,205,832	6,338,410	5,387,648
Level 2B assets	28,286,914	10,175,408	35,060,451	9,660,351
Total HQLA	86,689,765	67,836,053	90,753,200	64,402,338
Cash outflows:				
Stable retail deposits	184,758,387	9,237,919	35,816,282	1,790,814
Less stable retail deposits	19,118,804	1,911,980	178,481,070	17,948,107
Unsecured wholesale funding/deposits	160,789,223	12,164,058	162,831,851	10,618,793
Other contractual funding obligations	200,739,770	9,036,038	181,397,550	9,893,186
Total cash outflows	569,207,184	32,349,995	559,526,753	40,250,900
Cash inflows:				
Inflows from loan repayments	3,177,368	1,588,684	2,926,196	1,463,098
Inflows from other counterparties Not included in HQLA	225,910	225,910	3,645,191	3,645,191
Total cash inflows	3,403,278	1,814,594	6,571,387	5,108,289
Cash inflows after CUDGC maximum inflow cap applied, if required				
Total net cash outflows		30,535,401		35,142,611
Quarterly LCR history				
March 31		134%		264%
June 30		187%		167%
September 30		164%		136%
December 31		222%		183%

The Credit Union has met and complied with its internal LCR limit of 110% and the CUDGC minimum LCR of 100%.

20. Financial risk management (continued)

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 can change depending on market conditions. Market risk is managed in accordance with policies and procedures established by the Board of Directors. In addition, CUDGC establishes standards to which the Credit Union must comply. The Credit Union's primary market risk policies and procedures include policies for maximum mismatch levels, quarterly monitoring and adjusting product mix to address match position.

The primary market risk that the Credit Union is exposed to is interest rate risk. Interest rate risk is the potential adverse impact on the earnings due to changes in interest rates. The Credit Union's exposure to interest rate risk arises primarily from timing differences in the re-pricing of assets and liabilities, including financial assets and liabilities with fixed and floating rates. The Credit Union's exposure to interest rate risk can be measured by the mismatch or gap, between the assets, liabilities and off-balance sheet instruments scheduled to mature or re-price on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that re-price in specific time periods. To manage exposure to interest rate fluctuations and to manage asset and liability mismatch, the Credit Union may enter into interest rate swaps. These minimize the interest rate risk and cash required to liquidate the contracts by entering into counter balancing positions. The Credit Union used interest rate swaps in the current year.

The table below summarizes the Credit Union's exposure to interest rate risk by the earlier of the contractual re-pricing/maturity dates. Re-pricing dates are based on the earlier of maturity or the contractual re-pricing date and effective interest rates, where applicable, represent the weighted average effective yield.

	2022 (In thousands)						
	On Demand	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cash and cash equivalents	19,812	--	--	--	--	2,120	21,932
Effective rate	--	--	--	--	--	--	--
Investments	32,674	6,260	16,686	19,499	22,895	5,839	103,853
Effective rate	*6.45%*	*0.82%*	*1.39%*	*1.32%*	*1.90%*	--	*2.49%*
Loans	161,177	28,727	106,501	284,875	483	460	582,223
Effective rate	*7.51%*	*3.36%*	*3.58%*	*3.47%*	*4.75%*	--	*4.61%*
Other assets	1,814	--	--	--	--	24,584	26,398
Effective rate	--	--	--	--	--	--	--
Total assets	215,477	34,987	123,187	304,374	23,378	33,033	734,406
Effective rate	*7.32%*	*2.15%*	*3.28%*	*3.34%*	*1.96%*	--	*4.09%*
Deposits	30,388	57,013	169,129	126,155	49	248,342	631,076
Effective rate	*1.92%*	*2.12%*	*3.14%*	*2.05%*	*2.05%*	--	*1.80%*
Other liabilities	12,000	4,634	7,407	--	--	10,628	34,669
Effective rate	*5.93%*	*4.66%*	*2.89%*	--	--	--	*1.06%*
Members' equity	--	--	--	--	--	68,661	68,661
Total liabilities and members' equity	42,388	61,647	176,536	126,155	49	327,631	734,406
Effective rate	*3.06%*	*2.32%*	*2.93%*	*3.14%*	*2.05%*	--	*1.69%*
On-balance sheet gap	173,089	(26,660)	(53,349)	178,219	23,329	(294,628)	--
Derivatives	(100,000)	--	25,000	75,000	--	--	--
Net mismatch	73,089	(26,660)	(28,349)	253,219	23,329	(294,628)	--

20. Financial risk management (continued)

	2021 (In thousands)						
	On Demand	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Cash and cash equivalents	11,171					2,866	14,037
Effective rate							
Investments	24,365	15,352	25,966	42,912	6,085	11,217	125,897
Effective rate	*0.59%*	*2.21%*	*2.03%*	*1.61%*	*3.34%*		*1.47%*
Loans	164,802	24,944	94,863	302,361		(20)	586,950
Effective rate	*3.99%*	*2.82%*	*2.96%*	*2.81%*			*3.17%*
Other assets						17,875	17,875
Effective rate							
Total assets	200,339	40,296	120,829	345,273	6,085	31,938	744,759
Effective rate	*3.38%*	*2.59%*	*2.76%*	*2.66%*	*3.34%*	--	*2.76%*
Deposits	35,180	62,850	175,335	139,678	48	240,036	653,127
Effective rate	*0.59%*	*0.92%*	*0.82%*	*1.48%*	*1.45%*		*0.69%*
Other liabilities		5,456	8,349	9,888		3,307	27,000
Effective rate		*1.43%*	*2.79%*	*2.79%*			*2.18%*
Members' equity	--	--	--	--	--	64,632	64,632
Total liabilities and members' equity	35,180	68,306	183,684	149,566	48	307,975	744,759
Effective rate	*0.59%*	*0.96%*	*0.91%*	*1.56%*	*1.45%*	--	*0.68%*
On-balance sheet gap	165,158	(28,010)	(62,855)	195,707	6,037	(276,037)	--
Derivatives	(110,700)	15,000	30,700	65,000	--	--	--
Net mismatch	54,458	(13,010)	(32,155)	260,707	6,037	(276,037)	--

The above tables do not identify management's expectations of future events where re-pricing and maturity dates differ from contractual dates.

A 1% increase in interest rates with all other variables held constant would result in an increase in the Credit Union's profit for the year ended December 31, 2022, of $906,000 (2021 - increase of $255,000). A 1% decrease in interest rates with all other variables held constant would result in a decrease in the Credit Union's profit for the year ended December 31, 2022 of $899,000 (2021 - decrease of $127,000). The Credit Union uses simulation modeling to simulate the effect of a change in the market rate of interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union's exposure to foreign currency risk arises due to Member's U.S. dollar deposits.

21. Income taxes

	2022	2021
Current tax expense		
Current income tax expense on profit for current year	107,693	720,006
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(853,370)	(197,100)
Total income tax expense	(727,677)	522,906

21. Income taxes (continued)

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2022	2021
Income before income taxes	7,291,528	2,054,681
Combined federal and provincial tax rate	27%	27.00%
Income tax expense at statutory rate	1,968,712	554,764
Adjusted for the net effect of:		
Non-deductible expenses	1,247	696
Non-taxable dividend income	(2,697,450)	(32,922)
Other	(187)	368
Total income tax expense	(727,677)	522,906
Effective rate of tax	-10%	25%

	2022	2021
Deferred tax assets		
Property and equipment	184,939	--
Loans	329,991	501,200
Non-capital loss carryforward	2,555,375	287,000
Total deferred tax assets	3,070,306	788,200
Deferred tax liabilities		
Property and equipment	--	29,000
	--	29,000
Net deferred tax asset	3,070,306	759,200

22. Commitments

Commitments subject to credit risk

In addition, in the normal course of business, the Credit Union has entered into various commitments to extend credit that are not reported on the consolidated statement of financial position, including guarantees and letters of credit. The primary purpose of these contracts is to make funds available for the financing needs of customers. These are subject to normal credit standards, financial controls, risk management and monitoring procedures.

Guarantees and standby letters of credit represent irrevocable commitments that the Credit Union will make payments in the event that a customer cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to customers. Commercial letters of credit are instruments issued on behalf of a customer authorizing a third party to draw drafts on the Credit Union up to a stipulated amount subject to specific terms and conditions. The Credit Union is at risk for any drafts drawn that are not ultimately settled by the customer, but the amounts are collateralized by the goods to which they relate. Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit.

22. Commitments (continued)

The amounts reported below represent the maximum credit exposure for commitments to extend credit. Many of these contracts expire without being drawn upon, thereby reducing the Credit Union's credit risk from the maximum commitment. As many commitments will expire or terminate without being funded, the amounts shown on the table below do not necessarily represent future cash requirements.

	2022	2021
Undrawn lines of credit	175,783,914	136,508,851
Letters of credit	368,938	1,075,018
Commitments to extend credit	22,527,215	42,671,514

In 2021, the Credit Union entered into an agreement to purchase units in the Westcap MBO III Investment Fund. The Credit Union makes advances to the Fund when requested which decreases the remaining commitment. Redemption of units does not increase the total remaining commitment to the Fund. At the end of December 2022, the Credit Union has advanced $226,000 of their total commitment of $1,000,000 to the Westcap MBO III Investment Fund. This commitment is represented in the table above in Commitments to extend credit.

Other commitments

The Credit Union has entered into other commitments for the provision of banking system services. Future estimated payments for these commitments are as follows:

2023	645,582
2024	567,708
2025	479,195
2026	391,013
2027	402,744
Thereafter	783,069

23. Related party transactions

Related parties exist when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other or is a member, or close family member of a member, of the key management personnel of the Credit Union. Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties.

Loans receivable

At December 31, 2022, certain members of the board of directors and key management personnel were indebted to the Credit Union for amounts totaling $3,835,344 (2021 - $3,860,615). These loans were granted under the same lending policies applicable to other members and are included in loans receivable on the consolidated statement of financial position.

Deposit accounts

Directors and key management personnel may hold deposit accounts totaling $1,572,877 (2021 - $1,392,573). These accounts are maintained under the same terms and conditions applicable to other members and are included in member deposits on the consolidated statement of financial position.

23. Related party transactions (continued)

Compensation

Compensation presented as short-term benefits includes wages, salaries, statutory government contributions, paid annual leave, paid sick leave, variable compensation and the value of fringe benefits received, but excludes out-of-pocket expense reimbursements. The aggregate compensation of directors and key management personnel during the year comprising amounts paid or payable or provided for is as follows:

	2022	2021
Short-term employee benefits	1,670,887	1,210,565
Post-employment benefits	108,928	77,283
Director remuneration	72,393	85,684
Total compensation paid to key management personnel	1,852,209	1,373,532

Key management personnel participate in the Credit Union's short-term incentive program based on the financial performance of the Credit Union. This variable compensation and associated post-employment benefits are accrued in the fiscal year earned and paid out in the following year. Short-term incentive compensation accrued for in 2022 for key management personnel is $258,003 (2021 -- $nil) and post-employment pension benefits of $18,060 (2021 -- $nil) and these amounts are reflected in the above table.

24. Comparative figures

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

TCU FINANCIAL GROUP CREDIT UNION
SCHEDULE 1: NON-INTEREST EXPENSES
FOR THE YEARS ENDED DECEMBER 31

	2022	2021
Personnel		
Salaries	10,375,369	8,221,869
Employee benefits	1,492,205	1,466,844
Development	50,301	91,812
Other personnel costs	95,726	105,242
	12,013,601	9,885,767
Occupancy		
Depreciation – building	408,926	409,294
Maintenance, taxes, insurance – building	595,180	535,534
Utilities	162,039	153,976
Leased buildings	304,546	300,328
Other building costs	58,736	58,735
	1,529,427	1,457,777
Member security		
CUDGC deposit insurance assessment	520,680	527,510
Bonding insurance	70,858	71,206
	591,538	598,716
General business		
Business development	200,502	256,401
Computer costs	2,556,356	1,900,760
Audit and professional services	804,118	566,153
Overdraft fees and cash shortage	18,215	30,249
Service, clearing and ATM charges	444,234	494,182
Telephone, postage and courier	154,998	160,629
Depreciation – furniture and equipment	346,204	451,829
Amortization – intangible assets	630,765	333,311
Impairment – intangible assets	496,125	--
Other general business costs	1,689,509	1,529,151
	7,341,026	5,722,665
Organization costs		
Annual meeting	--	1,620
Development – officials	6,052	8,728
Remuneration – officials	73,839	85,749
SaskCentral dues	33,022	49,218
Other organization costs	43,188	14,685
	156,101	160,000
Total non-interest expenses	21,631,693	17,824,925

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

ANNUAL REPORT MESSAGE 2022

January 2023

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

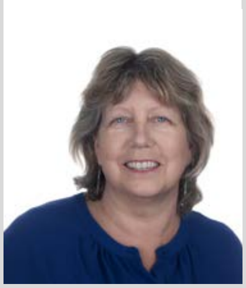
The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

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

Officers & Vice Presidents

Greg Peacock, Chief Executive Officer

Greg has over 28 years of experience within the financial services industry, over 27 years of experience of which has been within the credit union system, all with TCU Financial Group. Throughout these years, Greg has been involved in many aspects of the Credit Union including Loans Officer, Accountant, Finance Manager and Branch Manager. Greg assumed the role of Chief Executive Officer in June 2020. He provides the overall management and leadership of TCU Financial Group in achieving its strategic objectives including improving the well-being of its members and its communities. Greg was born and raised in Saskatoon and graduated with a Bachelor of Commerce from the University of Saskatchewan. In his spare time he enjoys spending time at the lake with his wife and son. Greg volunteers his time as a Director for the Saskatoon Hilltop Football Club.



Kathy Styranko, Chief Operating Officer

With 40 + years in the financial services industry, Kathy's experience covers all facets of the business including sales, support, compliance and risk management and leadership roles at various levels. Kathy joined TCU Financial Group in 2003 and moved into her current role in October of 2020 after several years involved in setting foundational risk based frameworks for key areas of TCU Financial Group as the former Chief Risk Officer. Kathy's extensive sales background combined with her work in risk management sets the stage for strategic leadership to all areas of the Member Experience delivery teams. Kathy is an empowering and inspirational leader who looks to bring out the best in others and remove obstacles in order to provide direction to her teams and support a holistic, consistent member experience that transcends traditional business lines. A believer in lifelong learning, she completed the Masters Certificate in Risk Management and Business Performance at the Schulich Executive Education Center, York University in 2019 as well as the Certified Credit Union Director (CCD) designation via Rotman School of Business, University of Toronto also in 2019. Kathy retired from TCU Financial Group on December 31, 2022 after 19 years of dedication.

Robb Elchuk, Chief Risk Officer

Robb joined the TCU Financial Group Executive team in September 2021, bringing more than 20 years of risk, compliance, regulatory policy and leadership experience to the role. The majority of his professional experience is in the credit union system, including leadership roles with CUETS Financial, Credit Union Deposit Guarantee Corporation, and Wyth Financial. Robb stewards TCU Financial Group's Risk Management and Compliance functions and ensures the organization has effective systems to identify, measure, monitor and report on the risks of the organization. Robb holds a Bachelor of Commerce degree from the University of Saskatchewan and a Master of Business Administration degree from the University of Regina.

In his spare time, Robb is a member of the Saskatchewan Sports Hall of Fame. He enjoys spending time with his wife and two daughters, vacationing at the lake, watching the Toronto Blue Jays and tinkering with his vehicles.

Jason Bazinet, Chief Financial Officer

Jason has more than 20 years of experience in the financial services industry and has worked in the areas of wealth management, credit union regulation, risk analytics, internal audit and finance. This diverse and substantial background has enabled him to build a solid framework for delivering and executing innovative solutions to complex and dynamic strategic challenges. He takes great pride in positioning credit unions as a collaborative community partner – working with leaders from the municipal, health, education, and business sectors to ensure the communities a credit union serves remain economically viable, sustainable, and prosperous.

Prior to joining TCU Financial Group in 2021, Jason had previously served as the Chief Financial Officer and Chief Risk Officer with Synergy Credit Union. Jason has also worked for both the Saskatchewan and Alberta Credit Union Deposit Guarantee Corporations, where he played a key role in the research, development and implementation of their respective risk-based supervisory systems.

Jason holds a Bachelor of Business Administration degree from the University of Regina. In 2017, he completed the CUES' Strategic Innovation Institute at Stanford University and was awarded the Certified Innovation (CIE) designation. He also completed the Professional Director certification program through the Johnson-Shoyama Graduate School of Public Policy and Governance Solutions in 2016.

Officers & Vice Presidents

Randy Martynuik, Chief Information Officer

Randy brings with him more than 25 years of progressively responsible experience spanning multiple industries including Information Technology, Financial Services, Transportation and Energy. His career has been a journey of educational, skillset, and competency growth focusing on areas including technology innovation, information technology leadership, information management, enterprise architecture, project management and process improvement.

Prior to joining TCU Financial Group, Randy's credit union experience was gained serving five years as the Head of Innovation and Technology at SaskCentral, where he was responsible for providing strategic technology leadership, digital transformation and managing technology operations. Randy also served 13 years at CUETS (Credit Union Electronic Transaction Services) where he provided technology leadership and business acumen to the organization.

Randy holds a Project Management Professional designation, and has both a bachelor's degree in Business Administration and a certificate in Computer Science from the University of Regina. Born and raised in Saskatchewan, Randy balances his personal time between his family, golfing, travelling and tinkering with his old Porsche and Victory motorcycle.

Dawn Bell, Vice President, Governance and Compliance

Dawn has spent the last 25 years working in the financial industry. Dawn has both a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Saskatchewan and is a non-practicing lawyer. Her professional experience includes people and operations management, regulatory compliance and risk management, as well as strategic planning. Dawn has also attained her Certified Credit Union Director (CCD) designation. As part of her role, Dawn is filling the following positions: Chief Compliance Officer, Chief Anti-Money Laundering Officer, Chief Privacy Officer, and Complaints Officer.

Ronél Eglington, Vice President, People and Culture

Ronél came to TCU Financial Group in 2008 after a successful career in South Africa. Ronél's honors degree in Organizational Psychology with a double major in marketing/public relations, has allowed her to have a broad understanding of the business world. Her retail focus made it easy to transition to the world of finance. During her career at TCU Financial Group, she has focused on aligning HR practices with TCU Financial Group's progressive strategic focus. In this regard, activities to refocus organizational culture linked to pro-active employee development initiatives have helped strengthen the organization.

TCU

Financial Group