



# 2023

# ANNUAL Report

 **Doddsland**  
AND DISTRICT CREDIT UNION



Saskatchewan  
Credit Unions

[saskcu.com](http://saskcu.com)

# **Dodsland and District Credit Union**

## **Annual Meeting Agenda April 10, 2024**

- 1) Call to order by President**
- 2) Adoption of Agenda**
- 3) Minutes of last year's meeting April 5, 2023**
- 4) Adoption of President's report**
- 5) Auditor's Report**
  - Meyers Norris Penny (MNP)**
  - Financial overview by General Manager**
- 6) Election of Directors**
  - Terms expiring:**  
  
**Patti Turk, Cory Turk, Corey Kingwell and Jordan Halter**  
  
**-Nominating Committee Chair Caleb MacDonald report on results of the election**
- 7) Appointment of 2024 auditor**
- 8) Other Business**
  - Years of Service Acknowledgment**
  - Door Prizes**
- 9) Adjournment**

**DODSLAND AND DISTRICT CREDIT UNION**  
**CHARTER NUMBER 334**  
**INCORPORATED DECEMBER 4, 1961**

***BOARD OF DIRECTORS***

<u>Name</u>	<u>Years of Service</u>	<u>Term Expires</u>
Corey Kingwell	18	2023
Cory Turk	18	2023
Patti Turk	21	2023
Jordan Halter	12	2023
Mitchell Joyce	20	2024
Scott Dipple	14	2024
Martin McGrath	19	2024
Jordan Swan	13	2025
Wendy Smith	4	2025
Caleb MacDonald	1	2025

***OFFICERS***

Patti Turk	President
Cory Turk	Vice-President
Trent Nienaber	Secretary

***STAFF***

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	
		<u>CU</u>	<u>System</u>
Trent Nienaber	General Manager	18.5	18.5
Andrea Calder	Member Services Manager	27	27
Brad Douglas	Risk Manager	6	44
Johana Weenk	Loans Manager	7.5	17.5
Meghan Holben	Loan and Business Services Admin	2	2
Lea Nakonechny	Accounting and Investment Officer	19	19
Karleen Holoien	Accounting and Loan Clerk	8	10
Lisa Sittler	Member Services Representative	14	14
Stephanie Kohlman	Member Services Representative	5	5
Brandi Webber	Member Services Representative	4.5	4.5

**DODSLAND AND DISRICT CREDIT UNION LIMITED**  
**61st Annual General Meeting**  
**Wednesday, April 5th, 2023 7:00 p.m.**  
**Dodsland Legion Hall**

President Patti Turk thanked everyone for attending and the Dodsland Lions for the great meal. There were 47 members in attendance and no guests.

**Call to Order**

President Patti Turk called the meeting to order at 6:48 p.m.

**Agenda**

Moved by Corey Kingwell / Seconded by Jordy Swan:  
That the Annual General Meeting Agenda for April 5, 2023 be accepted as presented. **Carried**

**Minutes**

Trent Nienaber read the minutes of the 60<sup>th</sup> Annual General Meeting held on April 22, 2022.

Moved By Wendel Seime / Seconded by Scott Dipple:  
That the minutes of the 60<sup>th</sup> Annual General Meeting minutes be adopted as read. **Carried**

**President's Report**

Patti Turk presented the 2022 President's Report on behalf of the Board of Directors. The Credit Union had another solid year. She discussed the duties and activities of the board and thanked the members for their continued support. A call for questions or concerns brought none.

Moved By Adele McLeod / Seconded by Trent Herner:  
That the 2022 President's Report be accepted as presented. **Carried**

**2022 Auditor's Report & Financial Statements**

General Manager Trent Nienaber, presented the 2022 Auditor's Report and Consolidated Financial Statements as prepared by Meyers Norris Penny. Notation was made of the "Management Discussion and Analysis" prepared by management and included in the report to the members. A call for questions brought none.

Moved By Susan Neumeier / Seconded by Doug Schan:  
That the 2022 Annual Report, comprised of the Management Discussion and Analysis Report and the Consolidated Financial Statements as at December 31, 2022 be approved as presented. **Carried**

## **Election of Directors**

Martin McGrath, Chair of the Nomination Committee reported that the following directors were elected by acclamation for a three-year term: Wendy Smith, Jordan Swan and Caleb MacDonald.

## **Appoint Auditor**

Scott Dipple, Chair presented the Audit and Risk Committee report and recommended the re-appointment of Meyers Norris Penny as external auditors for the year 2023.

Moved By Scott Dipple / Seconded by Francis Gillen:

That Meyers Norris Penny of Saskatoon SK be appointed as the external auditors for the 2023 financial year. **Carried**

## **Other Business**

### **Service Recognition**

Patti Turk acknowledge for 20 years, as a Director of the Board.

Recognition was given to current staff members and Board Directors in attendance. Caleb was also welcomed to the board.

### **Door Prizes**

Andrea Calder and Lisa Sittler made the draw for door prizes.

## **Adjourn**

Motion to adjourn by Patti Turk at 7:23 p.m.

ANNUAL MEETING OF THE MEMBERS OF  
DODSLAND AND DISTRICT CREDIT UNION LIMITED

1. Affidavit of Completion of Reports:

I, Trent Nienaber, General Manager of Dodsland and District Credit Union, make oath and say that:

The Financial Statements of December 31, 2023 were made available to the Membership on March 26, 2024, which is at least 10 days prior to the Annual Meeting.

2. Proof of Notice:

CANADA ) I, Trent Nienaber,  
PROVINCE OF SASKATCHEWAN ) of the Village of Dodsland,  
) in the Province of Saskatchewan,  
) Secretary of Dodsland and District Credit Union Limited

TO WIT:

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

Notice was posted in the Dodsland and District Credit Union office on March 12, 2024;

And the Dodsland and District Credit Union website on March 12, 2024.

A mail out to Dodsland, Plenty, Kelfield, Ruthilda and Stranraer occurred March 27, 2024.

Sworn before me at the Village of Dodsland )  
In the Province of Saskatchewan this 28 day of )  
March 2024. )



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Trent Nienaber  
A Commissioner for Oaths in and for the  
Province of Saskatchewan.  
My Appointment expires Feb. 28/27.



## President's Report

*W*elcome to the 62nd Annual Meeting of the Doddsland and District Credit Union Limited. On behalf of the Board of Directors I am pleased to present the 2023 Annual Report.

*Y*our Credit Union had another successful year, remaining focused on our vision to build a better community by providing stable financial services and being your financial institution of choice. The 2023 financial results show strong asset growth, a continued strong capital position and a profitable outcome. As a result of this success, I am pleased to announce that the Board of Directors has approved our fifth consecutive patronage payment to the membership. This year's amount is \$250,000. This payment represents an approximate return of 3.54% on interest earned and interest paid.

*O*ur Vision, Mission and Value statements continue to guide our planning and governance as we look to the future. Our Strategic Plan provides the foundation for management to direct the operation of our Credit Union.

*I*would like to thank the Board of Directors for their dedication to the Credit Union. We held 13 regular meetings in 2023 along with our Strategic Planning session in June. 84% meeting attendance rate indicates a strong commitment to our success. Each director sits on at least one of the six committees which held an additional eight meetings throughout the year.

*T*he Credit Union continues to support Doddsland, Plenty and surrounding communities through our annual donations which totaled \$66,000 in 2023!!! We also support our local youth by providing two \$1,000 scholarships to the Grade 12 graduating class of North West Central School. Our staff and board are again involved with numerous organizations, committees and community projects.

*A*nd finally, on behalf of the Board of Directors and staff, I would like to thank you, the membership, for your continued confidence and loyalty to Doddsland and District Credit Union Limited. We will continue to plan and adapt to the changes that come our way while we continue to build and protect our solid foundation.

Thank You  
Patti Turk  
Board President

## Facts about Saskatchewan Credit Unions

(as of December 31, 2023, unless otherwise indicated)

- There are 32 provincial credit unions and one federal credit union in communities across Saskatchewan.
- Provincial credit unions offer financial products and services to close to 445,000 members.
- Saskatchewan provincial credit union assets reached \$26.4 billion with revenue of more than \$1.3 billion.
- Provincial credit union lending amounts were more than \$19.7 billion.
- There are more than 300 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan provincial credit unions range in asset size from \$50.48 million to more than \$7.7 billion.
- In 2023, Saskatchewan provincial credit unions returned over \$7 million to their members in the form of patronage equity contribution and dividends.
- Provincial credit unions are a major contributor to Saskatchewan's economy, employing close to 3,000 people.
- Funds held on deposit in Saskatchewan provincial credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention.





## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2023

January 2024

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

Established in 1953, the Corporation holds the distinction of being the first deposit guarantor in Canada, ensuring the successful guarantee of deposits. Through the promoting of responsible governance and prudent management of capital, liquidity, and guaranteeing deposits, the Corporation plays a crucial role in fostering confidence in Saskatchewan PRFIs.

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

# Management Discussion and Analysis

## Introduction

Dodsland and District Credit Union Limited, hereinafter referred to as DDCU or the Credit Union, is an independent Saskatchewan credit union owned by our members. Under the current Credit Union legislation, DDCU is able to provide financial services to members and non-members. As at December 31, 2023 DDCU had 1553 members and 3 non-members. Non-members do not participate in the democratic processes of the Credit Union nor the patronage program.

Our credit union serves Dodsland, Plenty and surrounding area through a single branch. We provide a range of financial services including personal, agricultural and commercial accounts, loans, mortgages, creditor insurance and investment products.

The following discussion and analysis on the financial position and operations of DDCU, at December 31, 2023 should be read in conjunction with the Consolidated Financial Statements and accompanying notes. It is presented to enable readers to assess material changes in the financial condition and operating results of the Credit Union.

## Vision

*Working together to build a better community by providing stable financial services and being your financial institution of choice.*

## Mission

*Dodsland and District Credit Union is a local and democratically controlled financial institution. We will remain responsive to the social and economic needs of our current and future members. We will remain a competitive financial institution through the delivery of a full range of financial products and services.*

## Values

### ***Service Excellence***

We will provide personal, sincere and knowledgeable service to our members and community.

### ***Financial Performance and Productivity***

We will strive to enhance our productivity through careful management of the balance sheet. We balance our needs for financial results with the needs of our members and communities.

### ***Employee Satisfaction***

Employees are respected for their contributions to the success of the Credit Union and they are rewarded for those contributions. We support their development by providing training and learning opportunities at every position within the Credit Union.

### ***Team Work***

We maintain an ongoing positive relationship among employees to be able to provide excellent service. We maintain that same level of professionalism on the Board of Directors to provide a strategic direction for the Credit Union.

### ***Integrity, Honest, Professional and Ethical Conduct***

We will not compromise this statement as this is the key to our present and future success.

### ***Stability, Security***

We manage the Credit Union in a professional manner to ensure the long-term existence of services to our members.

## Competitive Advantage Statement

At DDCU, our competitive advantage is rooted in 'service excellence'. This is what ultimately differentiates us from our competitors. Our members advocate for us by consistently acting as our 'brand ambassadors' and recommending us to others within the communities we serve. This brings value to our members, communities and our credit union.

## **Co-operative Principles**

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

### ***Voluntary and Open Membership***

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

### ***Democratic Member Control***

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

### ***Member Economic Participation***

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

### ***Autonomy and Independence***

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

### ***Education, Training and Information***

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

### ***Co-operation among Co-operatives***

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

### ***Concern for Community***

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

## **Code of Conduct**

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

## **Credit Union Market Code**

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

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

## **Privacy**

DDCU protects the confidentiality of those who do business with them to ensure the fair handling of personal information that is made available in the course of conducting business with the Credit Union.

## Strategy

The vision of DDCU is to work together to build a better community by providing stable financial services and being your financial institution of choice. To monitor specific objectives throughout the year that support this vision, we have developed a strategic plan that outlines short and long term goals for DDCU. Progress to plan is measured by management's quarterly reporting to the Board on the completion of specific goals.

Our key strategic objectives for 2023 were to:

- manage our growth and ensure that we maintain optimal capital strength which will enable us to server our members, execute our strategies, and ensure we are sustainable in the future
- manage growth and achieve sufficient profitability to maintain optimal capital levels
- manage liquidity to ensure adequate levels are held
- ensure our business model, product suite, and service delivery model is robust and flexible to evolve with the changing environment and take advantage of opportunities as they present themselves
- continue to invest in our communities, through volunteerism and financial support, as community is the core of our DDCU culture. Board, management, and staff each play a key role in accomplishing this
- support our communities through our culture, direct donations, and sponsorships
- utilize our Competitive Advantage Statement to differentiate ourselves from our competitors. We will encourage our members to be our 'brand ambassadors' and recommend us to others within the communities we serve
- utilize our value proposition of being a co-operative
- recognize our employees, regardless of whether their functional roles are internally or externally focused, are critical to successfully executing our strategies and delivering on our value proposition to our members and communities.
- successfully deliver on our member-intimacy competitive advantage by ensuring our people have the skills to succeed at their jobs, evolve with the financial services industry, and provide "service excellence" in all their interactions with members
- believe that service is the key to our success and our future. Our people are the key to our service. We create an environment where employees are motivated, trained, encouraged, and rewarded for meeting our current and future members' evolving service expectations
- have a professional, diverse, knowledgeable, and highly engaged Board of Directors

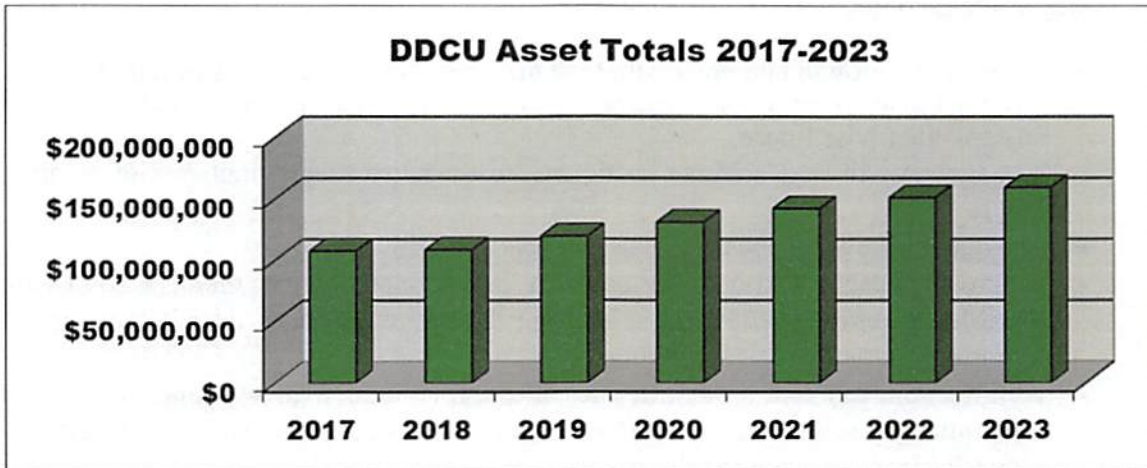
While additional work always remains to be done to reach our ultimate goals, overall DDCU feels we have had success in the pursuit of our objectives.

## Financial Performance

### Assets

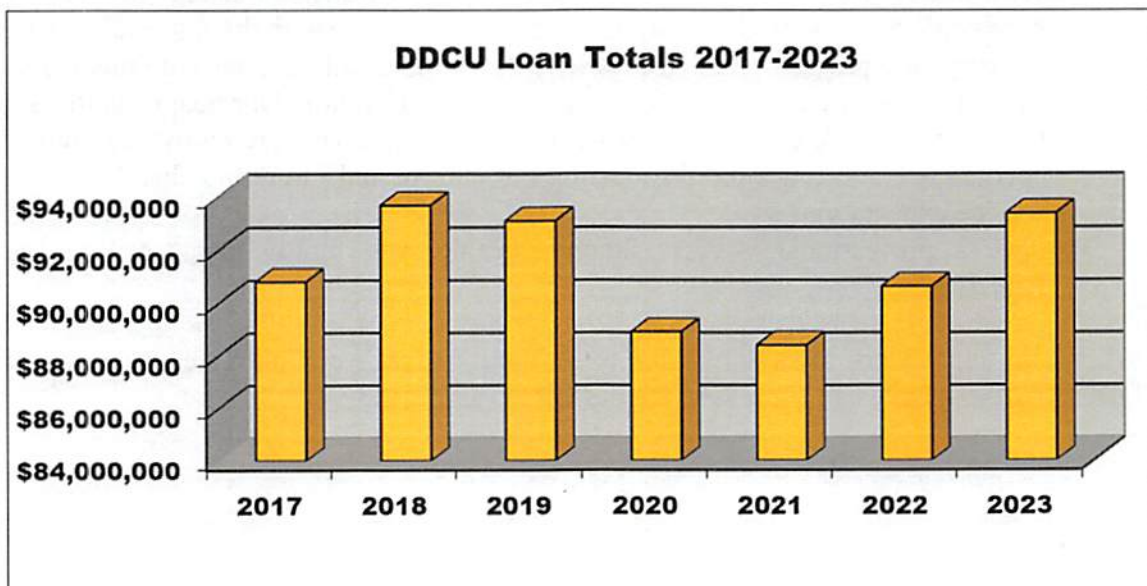
Year-end assets at December 31, 2023 increased to \$159,446,076, a change of 5.50%. Historic growth of the DDCU balance sheet is shown below with significant performance over the past 5 years.

2019 – 10.27%    2020 – 9.64%    2021 – 8.49%    2022 – 6.36%    2023 – 6.50%

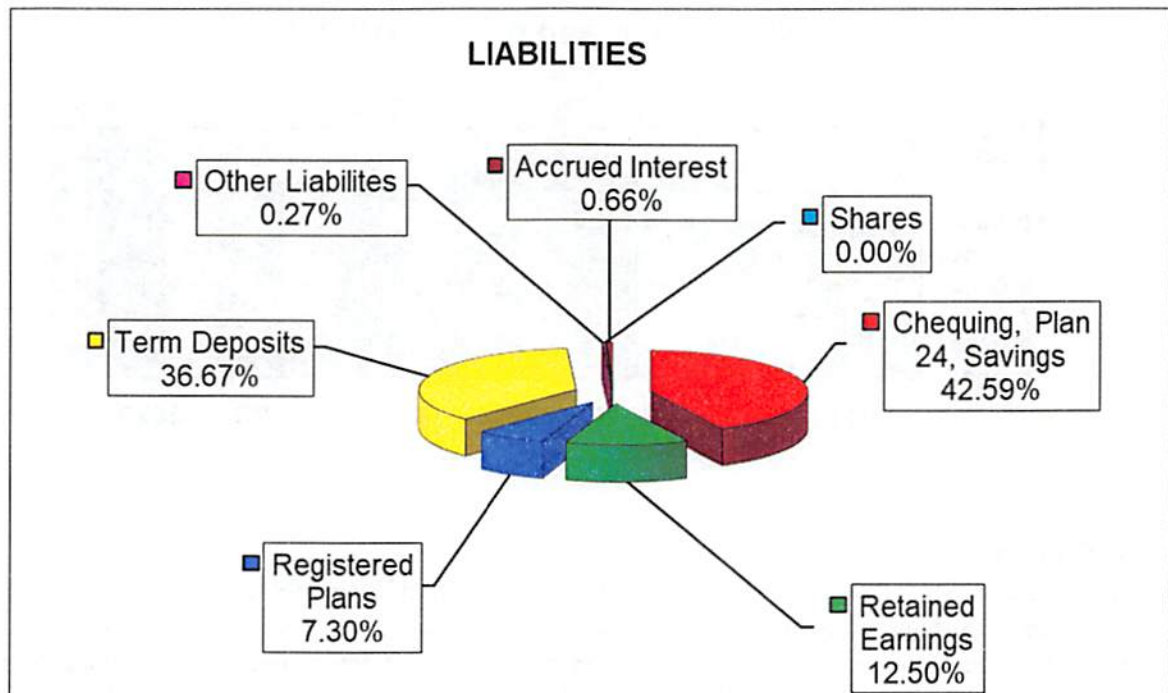
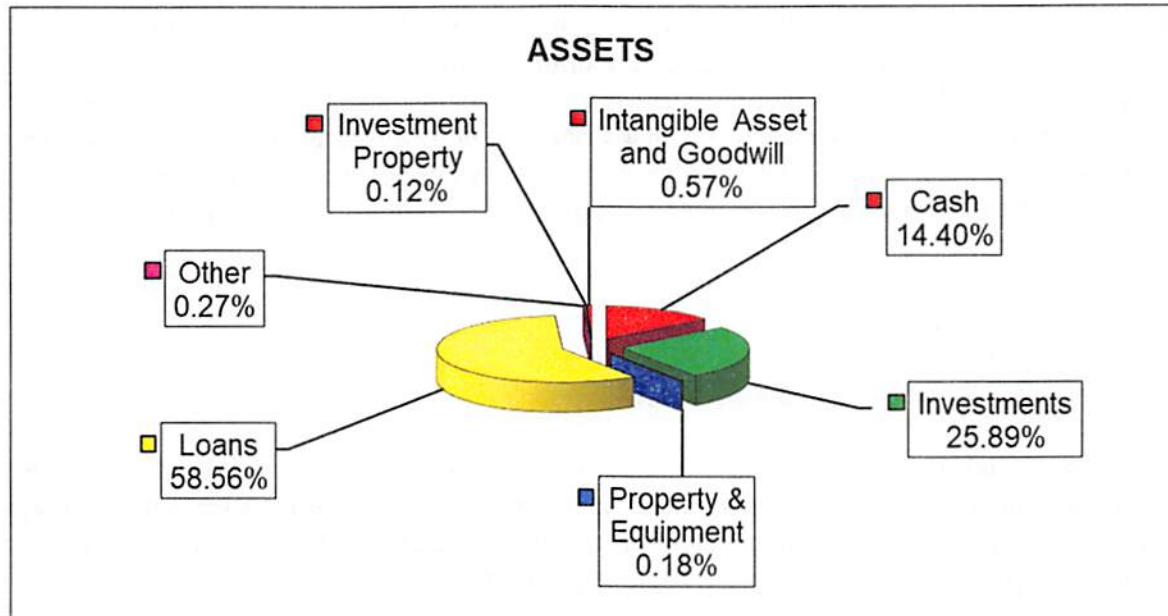


### Loans to Assets Ratio

A key measurement of liquidity is the ratio of total loans to total assets. DDCU monitors and manages this ratio to ensure a strong return to the organization while at the same time ensuring a position of sufficient liquidity. Loans increased marginally in 2023 to a total of \$93,374,136. This, combined with our asset growth, brought the loans to assets ratio to 58.96%, and is below our target range of 75-80%. While this result is not what we feel is best for overall profitability, the current economic conditions have definitely impacted loan demand among our membership.



The following graphs show the asset and liability composition as of December 31, 2023.



**Liabilities**

Deposits grew reasonably again in 2023 to \$139,073,956, an increase of \$6,324,209 (4.76%). The demand accounts (Chequing, Plan 24 and Savings) decreased by just over \$11.5M million (-14.49%). The biggest change was in the Term Deposit portfolio which grew by just over \$16.1 million (38.15%).

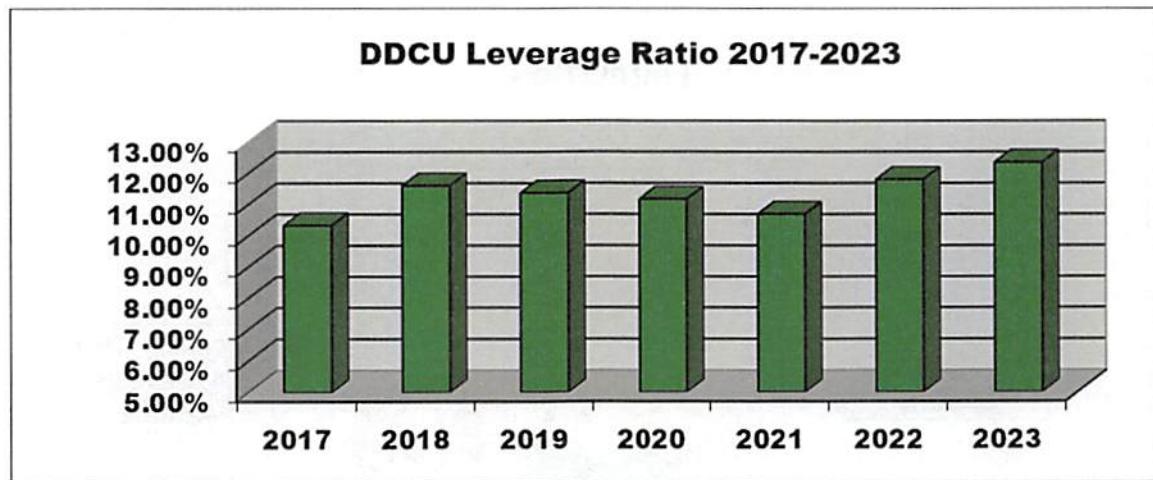


**Capital Ratio**

One of the primary measures of financial strength in a financial institution is its capital position. Capital levels are managed in accordance with policies and plans that are reviewed and approved by the Board of Directors. Capital is measured in four categories: Leverage Ratio (formerly called equity), Common Equity Tier 1, Total Tier 1 and Total Eligible Capital. Credit Union Deposit Guarantee Corporation (CUDGC) requires minimums for the four measures and DDCU subsequently has target ranges it would prefer to operate in. Currently DDCU well exceeds minimums and with strong results the past number of years now exceeds even our targets. For 2023 our ratios were as follows:

- Leverage – 12.35%
- Common Equity Tier 1 – 20.087%
- Total Tier 1 – 20.87%
- Total Eligible Capital – 21.80%

Strong capital allows DDCU to continue to grow its balance sheet, provide continued service and technological advancement for members and a return to regular patronage payments. Below is a graph of our leverage ratio since 2017. 2023 shows an increase in the ratio, due to the profits contributing to higher retained earnings.



**Profitability**

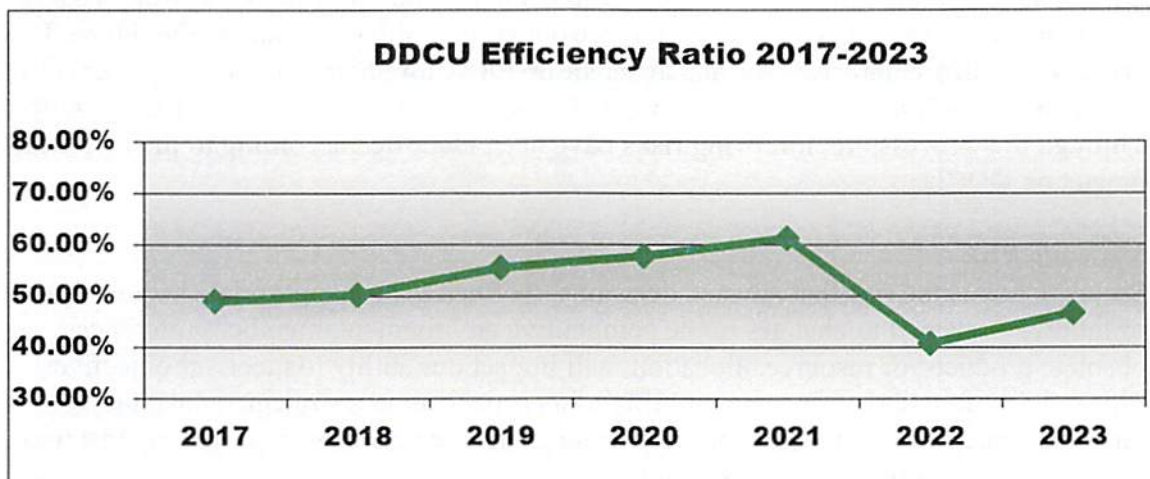
The profitability of DDCU is determined by our ability to manage net interest margin, non-interest revenues and non-interest expenses. This year there was a decrease to our provision for credit losses expenses. There is also a sixth consecutive patronage payment allocation with 2023’s amount being \$250,000. The result is a net income of \$2,489,969 prior to the provision for income tax of \$595,977. The resulting comprehensive income of \$1,893,992 is down from \$2,584,747 in 2022. This decrease can be attributed to the one time sale of Concentra in 2022.

The revenue streams for DDCU are loan and investment interest as well as non-interest revenue. Non-interest revenue is comprised of service charges on accounts, fixed asset

properties, sale of insurance products, and the gross revenue from our subsidiary Shortt Insurance Brokers Ltd. As a percentage of assets, DDCU’s non-interest revenues are very low when compared to other credit unions until our subsidiary revenues are included. The subsidiary allows DDCU to continue to increase profitability and provide a low service fee environment. Operating expenses for 2023 increased to \$2,728,315 (up \$51,128) which includes the expenses from Shortt Insurance Brokers Ltd. The five categories of non-interest expenses include personnel, security, organizational, occupancy and general business.

***Productivity***

One measurement of an organization’s productivity is to determine the relationship between expenses and revenue generated. This measurement is known as the efficiency ratio and the lower the number, the more efficient the organization is. A ratio above 80 - 85% is generally undesirable. Our efficiency ratio increased somewhat from 2022, which was impacted by the one-time gain from the sale of our Concentra shares. The graph below shows the efficiency ratio trend since 2017 and has generally hovered around the 50 - 60% level.



**People**

***Members***

In 2023 our memberships increased to 1553 members. There were 94 new memberships and 71 memberships closed for a net increase of 23. By comparison, in 2022 there were 107 member records opened and 79 closed for a net increase of 28 memberships. DDCU is proactive in closing dormant accounts.

***Directors***

The Credit Union bylaws require the Board of Directors to operate with ten members. There are four positions available as of the date of our Annual General Meeting on April 10, 2024, four for three-year terms. Three incumbents (Cory Turk, Corey Kingwell and Jordan Halter) have signed nominations seeking re-election to the board. Our public

advertisement seeking interest in board positions resulted in one nomination coming forward from Ryan Turk. Therefore, the three incumbents and one nomination have been declared elected by acclamation. We thank all the members of the board for their service to DDCU as they have again been very busy with regular meetings, committee meetings, training and strategic planning sessions.

### ***Staff***

The Credit Union is very proud of our staff and management and the manner in which they continue to serve our members in a timely and professional manner. The additional time and dedication that they volunteer to various community activities and associations is just one of the many ways DDCU remains committed to Dodsland, Plenty and the surrounding area.

## **Enterprise Risk Management**

Each year our Credit Union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called enterprise risk management or ERM for short, and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. Through this process, the following risks have been identified according to their potential impact on DDCU.

### ***Strategic Risk***

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

### ***Credit Risk***

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to honor its contractual obligations and will always be present in DDCU's risk framework. DDCU is affected by its direct lending activities with members, along with assuming risks related to loans and leases purchased from other credit unions and affiliates. Some key credit risks are: default risk, portfolio concentration risk, inadequate allowance risk, policy exception risk and economic environment risk.

Lending practices are set by the Board of Directors in policy and put into practice through procedures established by management. Review and revision of lending policies and procedures occurs on an ongoing basis. The credit portfolio and lending practices undergo regular independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to management and the Board of Directors through the Audit and Risk Committee.

Credit granting is performed in accordance with the approved policies, procedures and applicable legislation. This includes credit analysis, pricing, terms and documentation for lending. This framework supports lending staff in their decision making process and risk is further mitigated through continued training of lending staff.

Portfolio concentration risk arises when a credit union's loan portfolio is overly concentrated in one specific geographic location, economic segment or industry where a downturn or other adverse situation could have a significant impact. Concentration limits per specific industry are reported to and reviewed by the Board on a monthly basis.

Currently delinquency rates remain above the system and historical average. Loan delinquency greater than 90 days is 3.22% which is higher than the previous year end of 2.07%. DDCU's policy maximum limit is 3.00%. Delinquency levels and trends are regularly monitored by management and reported to the Board and while a continued concern at this time, progress is being made to reduce these levels and they should reduce during the first half of 2024. 2023 saw a slightly higher provision for impaired loans and lower foreclosed assets than 2022. These provisions, which are attributable to the current economic conditions to some degree, do affect the profitability of the Credit Union.

The current economic environment with rising interest rates, inflation and drier than average agricultural conditions continues to put pressure on our service area economy. This economic uncertainty has resulted in lower loan demand as the membership has been cautious. However, this has not drastically impacted the Credit Union's results due to higher margins from the interest rate increase.

### **Residential Mortgage Portfolio**

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

The Credit Union is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but would require default insurance purchased from either government backed entities or other approved private mortgage insurers, such as Canada Mortgage and Housing Corporation (CMHC) and Genworth Financial. **To date DDCU has not offered these higher ratio mortgages.**

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. These products are limited to providing no more than 65% of the collateral value. Again, to date, **DDCU has not offered this product.**

### Non-Conforming Residential Mortgages

Mortgages that the Credit Union deems to be non-conforming (due to perhaps the limited repayment ability of the member or possible deficiency that could affect the property's marketability) are restricted to no more than 65% of the collateral value. The HELOC product would also be considered non-conforming. These mortgages need to be reported to the Board should they be granted. DDCU has not approved any of these mortgages in 2023.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and a decrease in housing prices, stress tests are performed. Stress testing uses historical delinquency and write-off information from the past 5 years and applies it to a future scenario. Our results show that in an economic downturn, our capital position would be sufficient to absorb residential mortgage losses.

Residential Mortgage Loan Portfolio by Amortization				
Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	35	\$1,753,894.82	5.22%	\$50,111.28
10-15 years	37	\$4,230,232.83	12.58%	\$114,330.62
15-20 years	62	\$10,732,523.32	31.93%	\$173,105.21
20-25 years	67	\$16,575,077.69	49.31%	\$247,389.22
more than 25 years	1	\$324,625.30	0.97%	N/A
	202	\$33,616,353.96	100.00%	\$166,417.59

Residential Mortgage Portfolio by Location				
Location	Number	Mortgage Balance	% of Portfolio	Average Balance
Sask (Local)*	155	\$24,736,929.53	73.59%	\$159,593.09
Sask (Other)	39	\$6,304,553.71	18.75%	\$161,655.22
Alberta	7	\$2,388,810.21	7.11%	\$341,258.60
British Columbia	1	\$186,060.51	0.55%	\$186,060.51
	202	\$33,616,353.96	100.00%	\$166,417.59

\* within 100 km radius of Doddsland

21 of 39 Sask (Other) are recreational properties owned by local residents

### Liquidity Risk

Liquidity is required to meet the day-to-day cash needs and loan demands of our members. Liquidity risk arises from general funding activities and through management of our assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits without incurring unacceptable losses.

One of DDCU's primary objectives as a financial institution is to prudently manage liquidity to ensure we can generate or obtain sufficient cash or cash equivalents in a

timely manner, at a reasonable price, to meet commitments as they become due, even under stressed conditions. DDCU's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as our financial plan. DDCU continues to be in an excess liquidity position and continues to work to manage and maximize returns on the excess. Support from Equitable Bank (formerly Concentra Financial) has been used since August 2023.

Liquidity risk continues to be measured by analyzing the structure of the balance sheet. Balance sheet composition is important from a liquidity management perspective as the organization must ensure it carries an appropriate level of high-quality liquid assets (HQLA), while at the same time attempting to get the best return possible on these investments. These assets are reported on the balance sheet as cash or cash equivalents as well as in the investment portfolio.

An important measure of liquidity risk DDCU employs is the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure that a credit union has an adequate stock of unencumbered HQLA that consist of cash or assets that can be converted to cash at little or no loss of value and that meet its liquidity needs for a 30 calendar day stress scenario, by which time it is assumed corrective actions have been taken by the credit union.

Under the current provincial regulatory environment, Credit Union Deposit Guarantee Corporation established a minimum LCR requirement of 100%. Our LCR at year end 2023 was 652.46% and we are pleased to say that at no point in the year were we below minimum. Due to lower loan demand and an increase in assets the LCR risk would be considered minimal today.

### ***Market Risk***

Market risk is the exposure to potential loss from changes in market prices or rates and foreign exchange risk. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement. A credit union's market risk is impacted primarily by movements in interest rates specifically from the timing differences that exist between the re-pricing of loans, investments, and deposits.

Foreign exchange risk occurs when members change Canadian funds for another currency; which in our case are predominantly US dollars. DDCU has very limited risk in this area, only to the extent that we hold a small supply of US Cash on hand.

The Credit Union's exposure to changes in interest rates is regularly monitored by management. DDCU has a well-matched loan and investment portfolio with limited interest rate risk.

### ***Legal & Regulatory Risk***

Legal & Regulatory Risk is defined as the risk which arises from potential noncompliance with laws, rules, regulations, or ethical standards.

DDCU operates in a heavily regulated environment. The Credit Union's structure, policies and procedures are based upon compliance with laws and regulations. A risk exists if DDCU is unable to adapt to the rapidly changing regulatory environment. At this time, the Board of Directors and management consider the risk to be minimal for 2023.

### ***Operational Risk***

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems. Exposures to this risk arise from increasing efficiency ratios, shrinking margins, increased costs for staff, deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.

One continued risk is the failure to hire and retain appropriately skilled people to execute our strategies.

Attracting and retaining qualified staff and directors is a challenge in many rural Saskatchewan credit unions. DDCU will be hiring an additional lending employee in 2024 to replace the position available from 2023. There is currently a great staff complement that is a very knowledgeable and experienced group. There have only been two recent Board changes, and many of the Board of Directors, like the staff, are in the younger to middle age demographics range. DDCU will continue to recruit, train staff and directors as necessary, and if deemed necessary, contract temporary resources to bridge any gaps that may occur.

Effective management of operational risk minimizes day to day losses, reduces the impact of catastrophic losses and improves the ability of the credit union to achieve its business objectives.

### ***Emerging Risks***

Emerging Risks are newly developing or changing risks that are difficult to quantify and perceived to have a major impact on an organization. We investigate these risks because of the potential significant impact on our business.

## **Capital Management**

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

DDCU recognizes the importance and significance of capital management and has worked diligently to continue to strengthen this area. There is an approved capital plan for the purpose of identifying optimal capital ranges and how to reach those goals. Too much capital would not allow DDCU to generate a sufficient return on that capital. Inadequate capital restricts the ability to grow, generate required returns and increases the risk of having insufficient funds to protect against unexpected losses or liquidity needs. DDCU

relies on profitability to grow its capital position and holds its total capital in retained earnings. Balance sheet growth and profitability (of DDCU and Shortt Insurance Brokers) affect our capital ratios. A portion of our annual earnings is retained in order to meet our capital objectives.

Capital is managed in accordance with the capital management plan and board approved capital policies with a goal to exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans and signal financial strength. The capital plan has been developed in accordance with the regulatory capital framework and is reviewed and approved by the Board of Directors. Regular reporting to the Board of Directors and CUDGC are monitored via the audit process.

Changes in total tier 1 and tier 2 capital during 2023 can be contributed to the Credit Unions profitability and asset growth. At the end of the year the leverage ratio increased to 12.35% compared to 11.80% in 2022 due to profitability. Common equity tier 1 capital increased to 20.87% from 20.04% and Risk Weighted Capital increased to 21.80% from 21.04% in 2022. DDCU continues to meet and exceed all regulatory capital requirements.

## **Regulatory Matters**

Regulatory matters, like most financial institutions, are an ongoing concern for DDCU. There are numerous regulatory bodies to which DDCU must comply and adhere to. They include but are not limited to Credit Union Deposit Guarantee Corporation (CUDGC), The Registrar of Credit Unions, Financial Transactions & Reports Analysis Center of Canada (FINTRAC), Canada Revenue Agency (CRA), Insurance Council of Saskatchewan (ICS), Government of Saskatchewan Provincial Sales Tax (PST) and Canadian Payments Association (CPA). Our compliance processes are designed for an organization of our size, and corresponding exposure to such activity. DDCU remains committed to prudent operations.

## **Corporate Structure and Governance**

The governance of DDCU is anchored in the co-operative principle of democratic member control and maintains a professional approach in its operations and accountability to our membership. Our bylaws were recently updated and approved. While not much changed in practice, we continue to operate with bylaws that reflect the most recent recommendations of SaskCentral and the regulators.

## **Board of Directors**

### ***Mandate and Responsibilities***

The Board is responsible for the strategic oversight, business direction and supervision of management of DDCU. In acting in the best interests of the Credit Union and its members,



the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

The Board is responsible for the formation and direction of the Credit Union's annual business plan together with all policies and strategic direction. They also evaluate the performance of the General Manager based upon the success of the Credit Union in comparison to the annual business plan and budgets.

### ***Board Composition***

The DDCU Board of Directors is comprised of ten directors, elected by the members of the Credit Union. Each year a certain number of director positions expire, and members have the opportunity to nominate candidates of their choice. The Board establishes a nominating committee to ensure that a sufficient number of nominated members have been obtained for each position that has come due and to verify the eligibility of all nominees. All nominees are also subject to our Assessment of Responsible Persons policy.

### ***Directors***

The Board of Directors consists of the following members:

<i>Name</i>	<i>Position</i>	<i>Board Member since</i>	<i>Term Expiry</i>
Corey Kingwell		2006	2023
Cory Turk	Vice President	2006	2023
Patti Turk	President	2003	2023
Jordan Halter		2012	2023
Mitchell Joyce		2004	2024
Scott Dipple		2010	2024
Martin McGrath		2005	2024
Jordan Swan		2011	2025
Wendy Smith		2020	2025
Caleb MacDonald		2023	2025

### ***Committees***

The responsibility of the Board of a modern financial services organization involves an ever growing list of duties. DDCU maintains a number of committees comprised of directors. The partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of the Credit Union.

- ***The Executive Committee*** consists of the President, Vice-President, and one other member of the Board. The committee acts in the capacity of, and on behalf of the Board of Directors between regular and special board meetings on all Board matters except those which the Board may not, in compliance with legislative requirements, delegate. For 2023 the committee members were Patti Turk, Cory Turk (chair) and Mitchell Joyce.
- ***The Audit and Risk Committee*** is comprised of four members from the Board of Directors. Their purpose is to ensure an independent review of the Credit Union's financial operations, adequacy of internal controls and adherence to the Credit

Union Act, The Credit Union Regulations and The Standards of Sound Business Practice. They also ensure that the credit union's enterprise risk management framework and risk appetite statement are appropriate. To minimize the risk from deficiencies in internal controls or failed internal processes, we utilize an annual independent audit of our internal control processes through a contract with SaskCentral National Consulting, in addition to our annual external audit and regular Credit Union Deposit Guarantee Corporation examinations. Any deficiencies identified in any audit are presented to this committee for consideration and direction toward remediation. For 2023 the committee members were Scott Dipple (chair), Cory Kingwell, Wendy Smith and Jordan Swan.

- ***The Policy and Conduct Review Committee*** is comprised of three members from the Board of Directors. Their purpose is to ensure that all related party transactions with the Credit Union are fair, compliant, and appropriate and that best judgment is exercised in all matters with related parties. They must also review and amend Credit Union policies. Reviews and amendments are brought to the Board of Directors for approval. For 2023 the committee members were Jordan Halter, Martin McGrath (chair) and Caleb MacDonald.
- ***Shortt Insurance Brokers Committee*** is comprised of three members from the Board of Directors and the General Manager. The purpose is to oversee the management and direction of Shortt Insurance Brokers Ltd, review financials, budget and report to the Board of Directors. Any major decisions are handled at the board level. The committee operates in the same manner as the DDCU Board of Directors and is not involved in the day to day operations of the agency. The manager of the insurance agency is hired with the responsibility to oversee the day to day operations and hiring of employees. For 2023 the committee members were Patti Turk (chair), Cory Turk, Mitchell Joyce and Trent Nienaber.
- ***The Nominating Committee*** is formed each year to ensure that a suitable number of candidates are available to fill all positions for the Board of Directors and to verify that all nominated candidates are eligible to become a member of the Board of Directors. The Nominating Committee members rotate to the directors that were elected in the preceding year. Any member is entitled to nominate a candidate of their choice to run for the position of Director during the nomination period as advertised to the public.
- ***Workplace Violence and Harassment Committee*** is created to respond to any complaints or concerns that come forward. This committee has strong policy and procedure to guide it. One director (Jordan Halter) is appointed as part of the committee. To date this committee has, thankfully, not been required to meet.

#### ***Compensation and Attendance***

The Credit Union policies state that directors are reimbursed for services. The Credit Union discloses this information as a separate item in the financial statements. Director

remuneration in 2023 totaled \$21,350 for attending meetings and training workshops. In addition mileage, meeting, training and conference costs for the Directors totaled \$6,214.26.

All directors are encouraged to attend at least 75% of the board meetings annually, as required in the bylaws. In any event, a director shall not miss more than three consecutive meetings unless excused for good cause by the Board. In 2023 the Board of Directors held 15 regular meetings (including Strategic Planning) and 8 committee meetings. Attendance ranged from 100% to a low of 50% with the average meeting attendance being 82%.

### ***Director Training***

DDCU will provide the necessary opportunities for personal and professional development of the Board of Directors and will pay related tuition costs, expenses and remuneration for training and development opportunities, as outlined in the director remuneration policy.

It is acknowledged that the Credit Union Director Achievement (CUDA) program, through CUSOURCE, and the on-line CU Training modules are the starting point for all director development. Individual attendance and completion of the various modules of these programs is encouraged. During 2023, the board completed 100% of the CU Training and compliance training required.

### ***Evaluation***

The board will monitor and discuss the board's progress and performance at each meeting as required. It continues to annually complete a more formal self-assessment process to ensure that it is functioning as intended.

## **Executive Management**

The key management team of DDCU consists of the General Manager, Member Services Manager and Risk Manager. The General Manager has accountability for the overall operations of DDCU, reporting directly to the Board of Directors, while the other two managers have specified areas of responsibility, and report directly to the General Manager. Below is a listing of the current management and staff of DDCU.

<i>Name</i>	<i>Position</i>	<i>Start Date</i>
Trent Nienaber	General Manager	October 3, 2005
Andrea Calder	Member Services Manager	March 6, 1997
Brad Douglas	Risk Manager	January 8, 2018
Johana Weenk	Loans Manager	July 4, 2016
Meghan Holben	Loan & Business Services Admin	March 21, 2022
Lea Nakonechny	Accounting & Investment Officer	March 21, 2005
Karleen Pratt	Accounting & Loan Clerk	April 11, 2016
Lisa Sittler	Member Service Rep	January 4, 2010
Stephanie Hollman	Member Service Rep	November 5, 2018
Brandi Webber	Member Service Rep	May 21, 2019

## **Corporate Social Responsibility**

DDCU has always placed a high priority on being a good corporate citizen and contributing to the wellbeing of our communities that we serve and beyond by providing more than just financial services. This involves not only financial contributions but also staff time and use of equipment to various community organizations.

In 2023 DDCU donated a total of \$66,000 to organizations throughout our province that included: Dodsland Museum, Dodsland Library, Dodsland Sports Centre, Dodsland Hall/Dodsland Lions, Dodsland Legion, Dodsland Plenty Clinic, Community Recreation of Plenty, Plenty Legion, Plenty Library, Plenty Museum, Plenty Haverst Helpers (A Community Garden), Kelfield Community Club, Ruthilda Elks Hall, Stranraer Hall, Rosetown Health Foundation, Biggar & District Health Services, KLD Health Foundation, Kerrobert Food Bank, Town of Kerrobert (Helipad), Kindersley Food Bank, Pioneer Haven, West Central Crisis Centre, Prairie Sky Recovery Centre, Jim Pattison Children's Hospital, Ronald McDonald House, STARS, Air Ambulance, Sask Co-operative Association and the Cooperative Development Foundation of Canada.

DDCU is committed to providing a work environment where all employees are treated with courtesy and respect by having policies in place that are committed to the employees work environment.