



2025

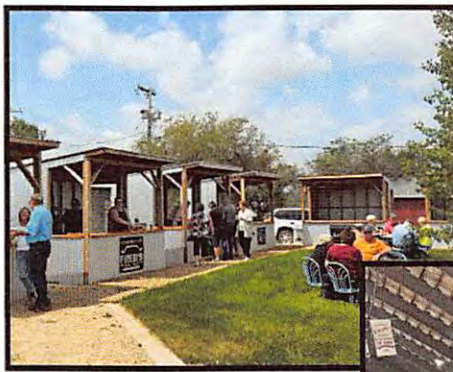
# Annual Report

**S**andhills Credit Union

*Providing Excellence in Financial  
Services that Enrich our Community*



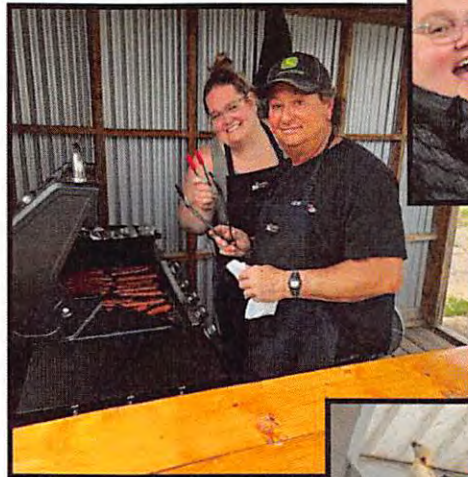
# SPORTS



**TRUST**



**EXCELLENCE**



**COMMUNITY**

# Sandhills Credit Union

*Providing Excellence in Financial  
Services that Enrich our Community*



At Sandhills Credit Union, trust is the cornerstone of our foundation. We believe that trust is earned through transparent and ethical practices, open communication, and a commitment to exceeding expectations. We strive to build lasting relationships with our members, employees, and community based on mutual trust and respect.



Excellence is not just a goal for us; it's a mindset that drives us to continuously improve and deliver the highest standards of service. From our dedicated team of financial professionals to our cutting-edge technologies, we are relentless in our pursuit of excellence to ensure that our members receive the best possible financial services.

*Built on Trust,  
Committed To Excellence*

# 2025 Highlights

In 2025,  
We Gave  
**\$51,335.17**  
IN SUPPORT OF 57 LOCAL  
ORGANIZATIONS, EVENTS, AND INITIATIVES!

**Sandhills Credit Union**  
Providing Excellence in Financial  
Services that Enrich our Community

**1** BRANCH  
PROUD TO BE INDEPENDENT  
**14** DEDICATED  
EMPLOYEES



**HIGHEST ASSET GROWTH  
OUT OF ALL  
SASKATCHEWAN CREDIT UNIONS**



**15 New  
Youth Accounts**



## Annual General Meeting Tuesday, April 14, 2026

Leader Community Centre  
401 1<sup>st</sup> Avenue West  
Leader, Sk

Registration 5:30pm  
Meeting and Supper to Follow

### Meeting Agenda

1. Call to Order
2. Appointment of Chairperson & Secretary
3. Adoption of Agenda
4. Confirmation of Quorum
5. Minutes of April 23, 2025 Annual Meeting
6. Adoption of Reports
  - a. President's Message
  - b. Management Discussion and Analysis
  - c. Auditor's Report and Presentation of Financial Statements
  - d. Nomination Committee Report
7. 2026 SCU Board of Directors
8. Appointment of Auditors
9. Presentation + Service Awards
10. Adjournment

# Sandhills Credit Union

*Providing Excellence in Financial Services that Enrich our Community*



Incorporated January 1, 1995

Registration # 405086

## Officers

President	Gordon Kuntz
Vice President	Joseph Dirk
Secretary	Tina Madge
Treasurer	Rebecca Eastwood

## Directors

<u>Name</u>	<u>Occupation</u>	<u>Address</u>	<u>Start</u>	<u>Term Exp.</u>
Elizabeth Heatcoat	Consultant	Leader	2013	April 2026
Lee Elsasser	Chamber Dev Officer	Leader	2024	April 2027
Travis Feiffer	Farm Bus. Rep	Leader	2024	April 2027
Stephen Spence	General Duty Const.	Leader	2025	April 2028
Tina Madge	Chief Operation Officer	Leader	2023	April 2027
Gordon Kuntz	Farmer	Prelate	2010	April 2026
Joe Dirk	Pharmacist	Leader	2018	April 2028

## Credit Union Staff

<u>Name</u>	<u>Position</u>	<u>Branch</u>	<u>Years of Service</u>
Rebecca Eastwood	CEO	Leader	10
Nicole Stimson	COO	Leader	20
Pamela Ristau	Manager of Lending	Leader	45
Bobbi Sitter	Ag/Comm Lender	Leader	17
Cari Wilkinson	Investment Specialist	Leader	7
Penny Sheldon	MSR Supervisor	Leader	7
Trina Steinkey	Consumer Lender	Leader	3
Shawna Biermann	Lending Analyst	Leader	1
Virginia Lee	Back Office/Compliance	Leader	1
Chris Jeffries	Lending Clerk	Leader	1
Amanda Lavalley	MSR	Leader	1
Dessorey Herman	MSR	Leader	1
Cassandra Bredeson	Back Office	Leader	
Logan Duchscherer	Student	Leader	

## Sandhills Insurance Staff

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>
Shelley Fuchs	Agency Manager	17
Carma Besplug	Insurance Clerk	28
Dawn Fehr	Receptionist/Clerk	9
Jenna Wagner	Accounting	4

**AFFIDAVIT OF AVAILABILITY OF REPORTS  
FOR THE ANNUAL MEETING OF  
SANDHILLS CREDIT UNION**

It is a requirement under Section 262 of the Credit Union Act, 1998 that upon request members be provided with the financial statements and auditors' report 10 days prior to the annual general meeting. The application section of the Credit Union Act, 1998 is quoted below:

Section 262(2)

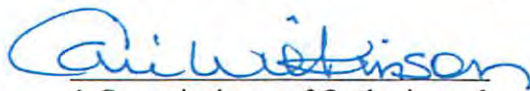
A notice of a meeting given in accordance with section 79 must include a statement that a copy of the financial statements of the credit union are available, on request, at any time after 10 days before the day set for the meeting.

TO WIT

I, Rebecca Eastwood, Treasurer for Sandhills Credit Union, make oath and declare that:

1. The financial statements applicable to the operations of the Sandhills Credit Union for the year ending December 31, 2026 along with the auditors report as prepared by Virtus Group were available to the membership upon request not later than March 28<sup>th</sup>, 2026.
2. Sandhills Credit Union is in compliance with Section 262(2) of the Credit Union Act, 1998.

Sworn before me at the Town )  
Of Leader in the Province of )  
Saskatchewan this 8 day of )  
April, 2026. )



A Commissioner of Oaths in and  
For Saskatchewan.

My Appointment expires  
Sept 30, 2029



Rebecca Eastwood

CARI WILKINSON

A Commissioner for Oaths for Saskatchewan  
My Appointment expires Sept 30/2029



Sandhills Credit Union  
Annual General Meeting April 23, 2025  
Minutes:

Registration	5:30pm
Supper	6:00pm
Meeting	7:00pm

President, Gordon Kuntz, called the meeting to order at 6:54 pm.

Lee Elsasser moved the appointment of Gordon Kuntz as Chairperson and Pamela Ristau as Recording Secretary. Seconded by Shelley Fuchs.

CARRIED.

President Kuntz announced there were 85 members and 4 guests present.

Confirmation of Quorum:

President Kuntz gave the member numbers stating quorum was present and stated that the meeting was regularly and lawfully convened and ready to transact business.

Jennifer Lloyd moved the approval and adoption of the agenda as set out in the annual report. Seconded by Lee Elsasser.

CARRIED.

President Kuntz directed attendees to minutes of Last Annual Meeting April 17, 2024, circulated at this meeting, and are provided in the credit unions Annual Report.

President Kuntz asked for errors or omissions. None presented.

Debbie Tondevold moved the approval of the minutes. Seconded by Tony Wagner.

CARRIED.

President Kuntz announced reports will be read and there will be a motion to approve all reports at once.

Adoption of Reports:

Chairperson Gordon Kuntz presented the Directors Report.

CEO, Rebecca Eastwood presented the following reports:

- Management Report, and consolidated Financial Statements for the year ending December 31, 2024.
- Virtus Group's Auditors Report

Elizabeth Heatcoat presented the nominating committee report.

President Kuntz asked for a motion to approve all reports as presented.

Craig Tondevold motioned approval. Seconded by Jennifer Lloyd.

CARRIED.

Elizabeth Heatcoat presented the election results which were: Joe Dirk with 267 votes followed by Stephen Spence with 149 votes.

President Gord Kuntz asked for a motion from the floor to appoint Virtus Group as Auditors for Sandhills Credit Union in 2025.

Moved by Roxanna Tiefenbach and seconded by Joe Dirk.

CARRIED.

President Gord Kuntz introduced the Board of Directors for 2025. Elizabeth Heatcoat, Joe Dirk, Gord Kuntz, and Tina Madge, Travis Feiffer, Lee Elsasser and Stephen Spence.

Awards and Presentations:

Gord presented James Sifert with a retirement gift from the board after 16 years of service.

Door Prize #1 Glen Goddard

Door Prize #2 Sandy Ruckaber

Adjournment:

Chairperson Gordon Kuntz adjourned the meeting at 7:42 pm.



Reastwood



# Gordon Kuntz

**S***andhills Credit Union*  
*Providing Excellence in Financial  
Services that Enrich our Community*



President & Board Chair

## President's Report

It is both an honor and a privilege to stand before you today and present the President's Report for the Sandhills Credit Union Annual General Meeting for the fiscal year 2025. Our credit union continues to thrive, and I'm excited to share the highlights of our achievements. The growth and success we've experienced are directly attributed to the dedication of our staff, and, of course, the ongoing support of our members.

We recognize the effects the pace of change has on our organization, our members, and staff. Thank you to the entire Sandhills team for all your hard work and dedication. We would not be able to serve the membership, community and fulfil our mission and vision without each one of you. The speed of change for the whole financial services industry has escalated. Our industry has become highly competitive, and we will need to equip our employees with all the tools, training, and support to enable them to always provide the level of experience our membership deserves.

Just like in previous 5 years, we have experienced historically low interest rates throughout the year, putting pressure on financial margins. Financially, 2025 was a successful year for Sandhills Credit Union. We managed significant growth in deposits, loans, and assets. This is fully outlined in the Summarized Financial Statements included in this report and the Management Discussion and Analysis. This solid performance allows us to continue offering competitive rates and expanding our services while remaining responsive to the needs of our members. In addition, we are pleased to report that our loan portfolio has expanded, contributing to the financial well-being of our members and the overall economy.

One of our key priorities is to offer value to our members, and this year, we have made significant strides in enhancing our services. We have continued to improve our online banking platform, offering greater ease of use and additional features. This is part of our ongoing commitment to embracing technology, ensuring that our members have access to banking services anywhere, anytime.

In line with our commitment to good governance, we have continued to review and update our policies and procedures to ensure that we meet the highest standards of transparency, accountability, and regulatory compliance. Our Board of Directors has worked diligently to establish a strategic plan that will guide our credit union for the next few years.

Our focus remains on balancing long-term growth with financial stability, ensuring that we are responsive to the needs of our members while maintaining a solid foundation for the future. The coming year will see us explore further innovations in digital banking and introduce even more member-centric initiatives.

As a credit union, we pride ourselves on our community involvement. Over the past year, we have contributed \$51,335.17 to local charities, sponsored a number of community events, and supported numerous initiatives aimed at improving the quality of life in the communities we serve. This reflects our core values of supporting our members not only in financial matters but also in building a stronger, more vibrant community.

While we celebrate our achievements, we must also acknowledge the challenges we face. The financial landscape is constantly evolving, and we are mindful of the impact that economic changes, regulatory shifts, and technological advancements have on our operations. However, these challenges also present exciting opportunities for growth and innovation, and we are committed to navigating them effectively.

We will continue to assess the needs of our members and adapt to the ever-changing environment, ensuring that we stay ahead of industry trends while remaining grounded in the values that make us a unique and trusted financial partner.

As we look forward to 2026, your Board of Directors are committed to remaining a strong and competitive Credit Union, and that we will continue our path to being focused on our Members and Community and most of all live up to the Mission & Vision Statement of our Credit Union.

At this time, I would like to thank our Board of Directors and staff, both at the Credit Union and at Sandhills Insurance for overcoming our challenges and changes this past year. It is your commitment to service and support to our community that sets us apart and unique from our competitors.

Lastly, we would like to thank you, our members. We grow and succeed because of your loyalty and support. We look forward to working with you through another exciting year in 2026!

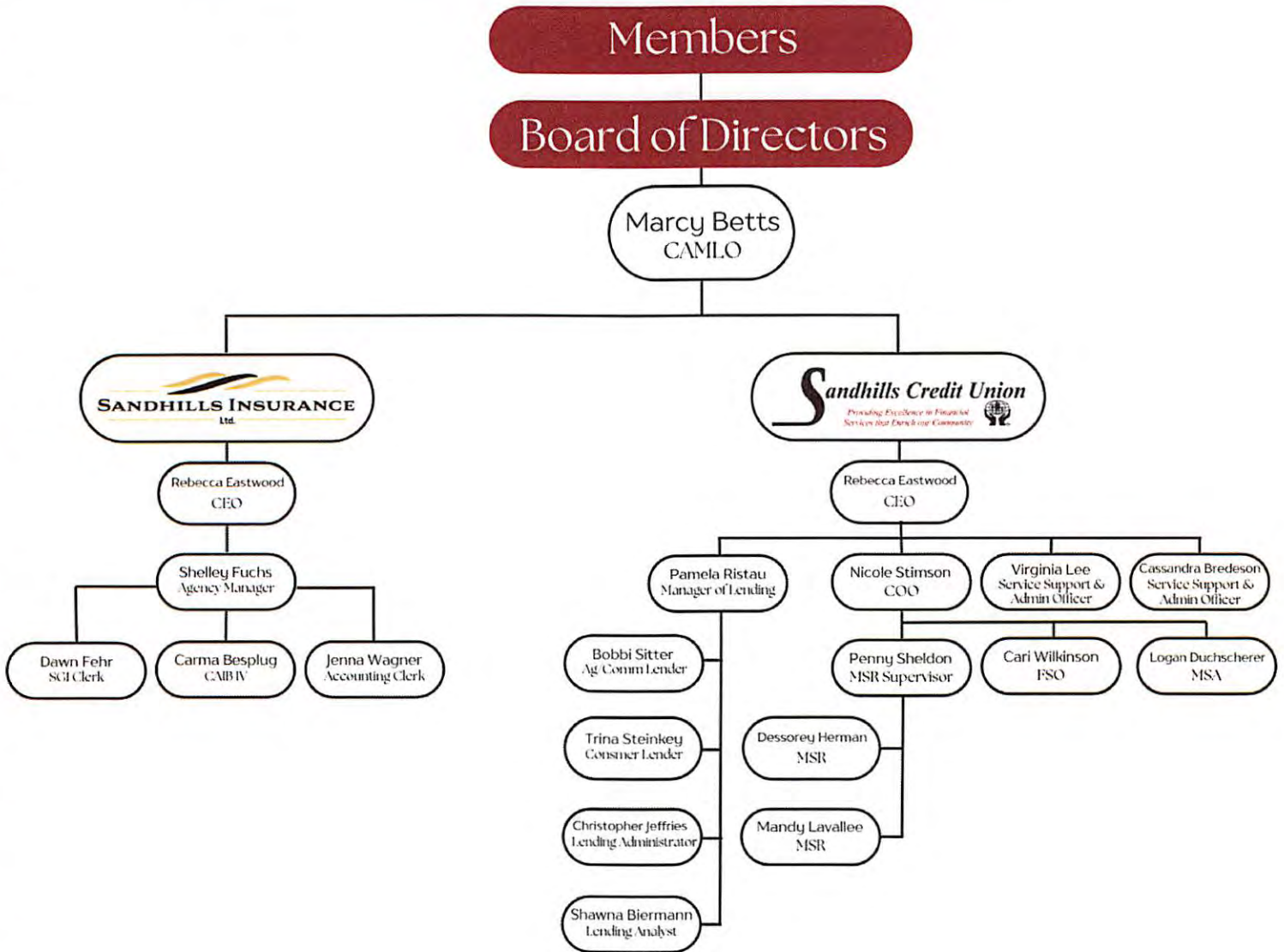
**Gordon Kuntz**  
**President & Board Chair**

# Sandhills Credit Union

*Providing Excellence in Financial Services that Enrich our Community*



## ORGANIZATIONAL CHART





# Rebecca Eastwood



Chief Executive Officer

## Management Discussion and Analysis

**Introduction** Presented herein is the discussion and analysis of the operational and financial position of Sandhills Credit Union as of December 31, 2025, in accordance with International Financial Reporting Standards (IFRS).

The commentary is in combination with, Sandhills CU's Consolidated Financial Statements.

**Operational Overview** Sandhills Credit Union is an independent credit union owned by our members.

In 2025, Sandhills Credit Union provided deposit, lending, and wealth services to Leader and surrounding communities. Sandhills CU experienced Asset Growth of 13.2% in 2025, the highest in all of Saskatchewan. Assets at the end of the year totaled \$123,048,324. Growth in member deposits and lending provided the funding for Asset Growth. Members' deposits grew by 14.42% in 2025. The majority of this growth is held in CHQ and savings accounts as well as term deposits. Total loans increased by 12.69% in 2025. Profit after taxes for the year 2025 was \$666,267. I made it my mission this year to keep both interest rates higher and lending rates lower to remain attractive and competitive for you, our members.

**Strategy** The vision of Sandhills “Built on Trust – Committed to excellence” remains at the forefront and continues to be the future direction of Sandhills Credit Union. 2025 was a year of challenges and change. It is quite clear our strength is our better service and in 2025 we are experiencing the benefits. The foundation of our better service is the strong, personal relationship we have with our members and our communities. We set ourselves apart from our competition by focusing on our true purpose:

- We are not just about money; we are about serving our members and our communities.
- We are not just about staying within the guidelines; we will be flexible to the needs of our members and communities.
- We make the decisions locally that affect our members.
- We are not just about financial services; we are also about supporting our communities. Our physical presence is important to us, our members, and our communities.

**Key Performance Drivers** To evaluate the performance of an organization,

consideration must be given to the regulatory nature of the business, the economic environment that it resides in, and future objectives of the organization. With these in mind, targets are set to meet the organization's objectives for financial and regulatory health. The corporate targets are reviewed yearly and are the key focus the organization will have in the coming year. The targets are evaluated regularly to ensure that the required goals are being met and that the organization is performing as desired.

### Results

Results	Actual	Provincial
Asset Growth	13.2%	6.84%
Deposit Growth	14.42%	5.47%
Loan Growth	12.69%	8.12%

Overall, we have a financially strong organization. When we compare ourselves to our peers and the province, we find ourselves in the upper level of capital strength. Our regulatory body continues to raise the bar on expected capital and liquidity levels.

### Loan Portfolio

Total loans receivable as of December 31, 2025, were \$63,917,467 compared to \$56,717,819 the previous year

#### Residential Mortgage Portfolio

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

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

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

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

## Deposit Portfolio

Balances in member deposit accounts grew to \$109,492,270 from \$95,694,498. Growth occurred in chequing, savings, investments accounts, and registered products.

## Capital Management

The credit union's capital management framework is designed to maintain an optimal level of capital. Accordingly, adjusted capital policies have been developed to ensure the credit union meets its regulatory capital requirements; its internal assessment of required capital; and builds long term membership value. The credit union retains a portion of its annual earnings in order to meet those capital objectives. Capital adequacy for Saskatchewan credit unions is set and measured in accordance with guidelines issued by our regulator Credit Union Deposit Guarantee Corporation (CUDGC). The regulator has established a set of capital requirements and minimums that credit unions are expected to maintain and exceed. Sandhills Board of Directors appreciates the requirements for a strong capital position and has therefore established their own minimum requirements that are in excess of those required by the regulator. The chart following provides an overview of the requirements and Sandhills position in regard to the various capital requirement criteria:

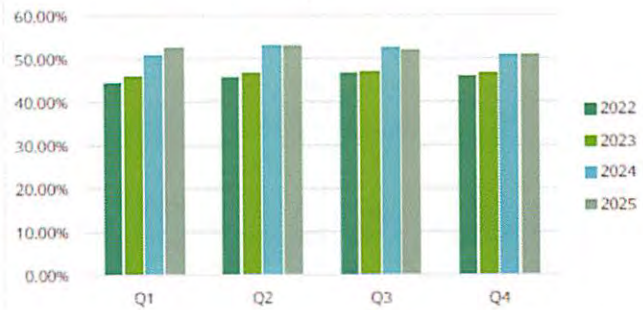
	<b>Regulatory Standards</b>	<b>Board Minimum</b>	<b>Sandhills CU 2025</b>
Total eligible capital to risk weighted assets	8%	13%	20.67%
Total tier 1 capital to risk weighted assets	6%	11%	20.37%
Common equity tier 1 capital to risk weighted assets	4.5%	11%	20.37%
Minimum leverage ratio	5%	7.5%	10.41%

### Risk Weighted Assets

	Q1	Q2	Q3	Q4
2022	44.61%	45.82%	46.84%	46.02%
2023	45.77%	46.54%	46.99%	46.67%
2023 - NEW SSBP			50.39%	50.91%
2024	50.91%	52.85%	52.66%	50.89%
2025	52.58%	53.07%	51.89%	50.93%

**Risk Weighted Assets** are the sum of risk weighted on and off balance sheet assets plus a charge for operational risk

### Risk Weighted Assets

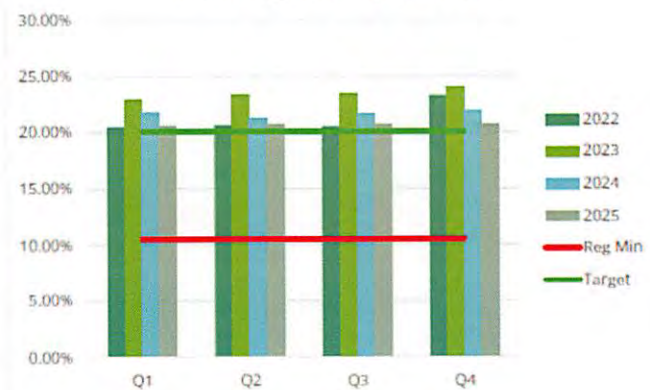


### Risk Weighted Capital Ratio

	Q1	Q2	Q3	Q4
2022	20.45%	20.60%	20.48%	23.28%
2023	22.92%	23.29%	23.40%	24.03%
2023 - NEW SSBP			21.82%	22.03%
2024	21.79%	21.25%	21.65%	21.86%
2025	20.55%	20.70%	20.70%	20.67%
Reg Min	10.50%	10.50%	10.50%	10.50%
Target	20.00%	20.00%	20.00%	20.00%

**Eligible capital** is the sum of the credit union's capital elements (Net tier 1 and tier 2 capital) plus the collective allowance, less deductions for goodwill and intangible assets. The Risk Weighted Capital Ratio is Eligible Capital/Risk Weighted Assets

### Risk Weighted Capital Ratio

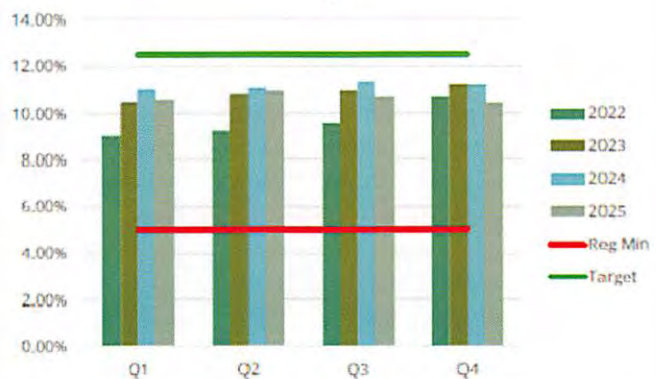


### Leverage Ratio

	Q1	Q2	Q3	Q4
2022	9.01%	9.24%	9.55%	10.71%
2023	10.49%	10.83%	10.93%	11.20%
2023 - NEW SSBP			10.83%	11.13%
2024	11.00%	11.06%	11.30%	11.19%
2025	10.57%	10.86%	10.65%	10.41%
Reg Min	5.00%	5.00%	5.00%	5.00%
Target	12.50%	12.50%	12.50%	12.50%

**Leverage Ratio/Test** is the value of our leverage assets which are total assets less Tier 1 capital deductions plus off-balance sheet exposures (approved loans not disbursed and letters of credit) divided by our eligible capital.

### Leverage Ratio



**Credit Quality**

Credit quality is a key component of risk management and requires diligence. The health of an organization’s loan portfolio is determined by how well the credit of the loan portfolio is performing. This is measured by the delinquency of the portfolio. Delinquency and credit quality are carefully monitored and reviewed by the Credit Review Committee regularly to assess loans that are, or may become, impaired. The Credit Committee will also establish allowances for potential losses if there is a risk a loan will not be paid in full.

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 and the maximum unsecured lending limit is \$125,000.00. the established portfolio mix for 2025 is:

	<b>Board Policy</b>	<b>Sandhills CU 2025</b>
Consumer	50-70%	51.1%
Agriculture	20-60%	39.8%
Commercial	5-15%	9.1%

**Enterprise Risk Management**

Sandhills Credit Union is a small rural financial institution and as such is exposed to a variety of risks. Risk is the potential negative impact that exists in almost every aspect of the credit unions activities. Risk can also cause financial loss and/or harm to the credit union.

Managing or balancing the risks as it relates to our various business opportunities is a key priority for the Board of Directors and management. The creation and implementation of sound policies, operational processes, audit practices, capital, and liquidity strategies, are strengths and core to our mitigation strategies. Once the committee confirms agreement with the identified risks and mitigation strategies, a document is provided to the full board for analysis and approval. This report and its identified priorities are then incorporated into the credit union’s strategic plans and budgets. Like most plans they change as the result of influences inside and outside of the organization. These shifting plans and strategies necessitate the need for a strong capital base and balanced management of our assets and liquidity. In the coming year we will completing a full review of our Enterprise Risk Management plan to ensure we remain on top of our Credit Union risks and having plans in place to mitigate those risks going forward.

Sandhills is exposed to the following identified risk categories:

### **Legal and Regulatory Risk**

Legal and regulatory risk is the risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards. Policies and procedures, as well as the structure of the organization, assist us with complying with regulatory demands. There are prescribed processes that allow us to review and report on compliance matters regularly. In addition to this we also undergo regular internal, external, and regulatory audits and examinations.

### **Strategic Risk**

Strategic risk is the risk that the organization will be unable to meet objectives due to adverse business decisions, ineffective business plans, or failure to respond to changes in the competitive environment. Sandhills Credit Union has a formal strategic planning process that involves the Board of Directors and Executive management. This process is facilitated through an annual planning session to develop objectives, measures, and key initiatives. Comprehensive reporting to the Board on performance to the strategic plan is presented by management quarterly. All strategies are reviewed regularly, and if necessary, are adapted to meet the changing financial and economic landscape.

### **Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity, or natural disasters. Operational risks could be identified as "unplanned" operational situations. Sandhills CU manages operational risk through its policies along with controls and procedures that are monitored regularly.

### **Technical Risk**

Technical risk is the threat to our credit union business data, critical systems and business processes resulting in the loss of earnings, capital, or image. A technical failure has the potential to disrupt our business, resulting in a legal liability in the event of data theft, causing reputation and compliance issues. Exposure to this risk arises from deficiencies in internal controls, employee training, and reliance on third party service partners.

Annually the Audit & Risk Committee reviews with management the risks before the credit union.

### **Corporate Social Responsibility**

Sandhills is committed to the social, recreation, cultural, and financial well-being of our community. Annually we contribute a significant portion of our profitability to the community. These contributions are in excess of what other business entities provide on a year-over-year basis. We are aware the community and the membership have the expectation that we will be a major contributor when it comes to our corporate social responsibility to the community. Our support varies year to year based on the requests

and needs of the community. We also base the request on what our financial position is at the time of the request as we need to maintain capital and liquidity requirements. This past year we donated to over 30 local clubs and organizations which totaled more than \$50,000.00 towards community projects and we plan to continue our support well into the future as long as we are able to.

It is important that the membership and community understand that our support is dependent on our financial strength, which only comes from the continued support from our communities and members. A full list of donations are on the slide and in the package on your tables.

We are happy to announce that the board has decided to donate \$75,000 to the River Ridge Golf Course and be the club house sponsor!

### **Outlook**

This past year has been nothing short of exceptional for Sandhills Credit Union. Through a shared commitment to excellence, collaboration, and community, we have achieved remarkable growth and strengthened our position as a trusted financial partner.

Our success is a direct reflection of the dedication and professionalism of our staff. Day in and day out, you have gone above and beyond to serve our members with integrity, care, and expertise. Your efforts have not only driven strong financial results but have also reinforced the relationships that are at the heart of everything we do.

We also extend our sincere gratitude to our Board of Directors for their steadfast leadership and vision. Your guidance has ensured we remain focused, resilient, and forward-thinking in an ever-changing environment.

Together, we have built momentum that positions us well for the future. As we look ahead, we do so with confidence, knowing that the strength of our team and the clarity of our purpose will continue to drive our success.

Thank you all for your hard work, commitment, and the pride you bring to Sandhills Credit Union every day.

**SANDHILLS CREDIT UNION**  
**LEADER, SASKATCHEWAN**  
**INDEPENDENT AUDITORS' REPORT AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2025**

## MANAGEMENT'S RESPONSIBILITY COMMUNICATION

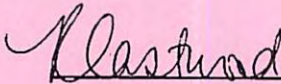
To the Members,  
Sandhills Credit Union

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 and Risk 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 and Risk 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 and Risk 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.



Rebecca Eastwood  
CEO



Elizabeth Heatcoat  
Chair of Audit and Risk Committee



## INDEPENDENT AUDITORS' REPORT

To the Members,  
Sandhills Credit Union

### *Opinion*

We have audited the consolidated financial statements of **Sandhills Credit Union** and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of changes in members' equity, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Credit Union as at December 31, 2025, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements in Saskatchewan, 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.

### *Information Other than the Consolidated Financial Statements and Auditors' Report Thereon*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated 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.

## INDEPENDENT AUDITORS' REPORT continued

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 26, 2026  
Saskatoon, Saskatchewan

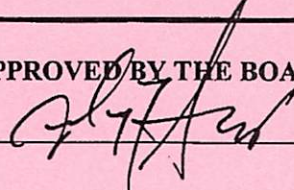

*Virtus Group LLP*  
Chartered Professional Accountants

**SANDHILLS CREDIT UNION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2025**  
(with comparative figures for 2024)

ASSETS		
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents (Note 4)	\$ 19,533,331	\$ 18,685,711
Investments (Note 5)	37,672,408	31,229,786
Loans receivable (Note 6)	63,917,467	56,717,819
Other assets (Note 7)	639,361	642,959
Property and equipment (Note 8)	1,285,757	1,420,994
	<u>\$ 123,048,324</u>	<u>\$ 108,697,269</u>
LIABILITIES		
Deposits (Note 9)	\$ 109,492,270	\$ 95,694,498
Other liabilities (Note 11)	415,586	529,150
Shares (Note 12)	8,510	7,930
	<u>109,916,366</u>	<u>96,231,578</u>
MEMBERS' EQUITY		
Retained earnings	13,131,958	12,465,691
Accumulated other comprehensive income	-	-
	<u>\$ 123,048,324</u>	<u>\$ 108,697,269</u>

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APPROVED BY THE BOARD:

 _____ Director	 _____ Director
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"See Accompanying Notes"

**SANDHILLS CREDIT UNION**  
**CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
Retained earnings - beginning of year	\$ 12,465,691	\$ 11,681,943
Net income	<u>666,267</u>	<u>783,748</u>
Retained earnings - end of year	<u>\$ 13,131,958</u>	<u>\$ 12,465,691</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Accumulated other comprehensive income - beginning of year	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>
Accumulated other comprehensive income - end of year	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL EQUITY</b>	<u><u>\$ 13,131,958</u></u>	<u><u>\$ 12,465,691</u></u>

*"See Accompanying Notes"*

**SANDHILLS CREDIT UNION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
<b>Interest revenue</b>		
Loan	\$ 3,107,423	\$ 2,911,628
Investment	1,975,537	2,185,586
	<u>5,082,960</u>	<u>5,097,214</u>
<b>Interest expense</b>		
Borrowed money	2,683	2,053
Member deposits	2,137,412	1,979,316
	<u>2,140,095</u>	<u>1,981,369</u>
<b>Net interest</b>	2,942,865	3,115,845
<b>Provision for credit losses</b>	108,506	42,491
<b>Net interest after provision for credit losses</b>	<u>2,834,359</u>	<u>3,073,354</u>
<b>Other income</b>	<u>1,169,975</u>	<u>1,094,287</u>
<b>Operating expenses (Schedule 1)</b>		
General business	1,539,637	1,397,356
Occupancy	158,168	160,973
Organizational	68,737	73,439
Personnel	1,340,586	1,479,077
Security	110,328	104,664
	<u>3,217,456</u>	<u>3,215,509</u>
<b>Income before income taxes</b>	786,878	952,132
<b>Income taxes (Note 17)</b>		
Current	148,411	187,184
Deferred (recovery)	(27,800)	(18,800)
	<u>666,267</u>	<u>783,748</u>
<b>Net income before other comprehensive income</b>	<u>666,267</u>	<u>783,748</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 666,267</u>	<u>\$ 783,748</u>

*"See Accompanying Notes"*

**SANDHILLS CREDIT UNION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
<b>Cash provided by (used in) operating activities:</b>		
Net income	\$ 666,267	\$ 783,748
Items not involving cash:		
- Amortization	155,932	168,239
- Provision for credit losses	108,506	42,491
Net change in other assets and other liabilities	<u>(109,966)</u>	<u>(349,859)</u>
	<u>820,739</u>	<u>644,619</u>
<b>Cash provided by (used in) investing activities:</b>		
Investments	(6,442,622)	(6,935,511)
Loans receivable	(7,308,154)	(2,833,916)
Property and equipment	<u>(20,695)</u>	<u>(67,654)</u>
	<u>(13,771,471)</u>	<u>(9,837,081)</u>
<b>Cash provided by (used in) financing activities:</b>		
Deposits	13,797,772	6,200,977
Shares	580	195
	<u>13,798,352</u>	<u>6,201,172</u>
<b>Increase (decrease) in cash</b>	<b>847,620</b>	<b>(2,991,290)</b>
<b>Cash position - beginning of year</b>	<u><b>18,685,711</b></u>	<u><b>21,677,001</b></u>
<b>Cash position - end of year</b>	<u><u><b>\$ 19,533,331</b></u></u>	<u><u><b>\$ 18,685,711</b></u></u>

*"See Accompanying Notes"*

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**1. Incorporation and governing legislation**

Sandhills 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 at 202 1st Avenue West, Leader, Saskatchewan. The Credit Union provides financial services to customers through branches in Leader 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 preparation and statement of compliance**

The consolidated financial statements have been prepared in accordance with Part I of the CPA Canada Handbook - International Financial Reporting Standards (IFRS). The financial statements comply with IFRS adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on March 26, 2026.

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.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value, but are not fair value, such as value in use on impairment.

The Credit Union follows a fair value hierarchy to categorize the inputs used to measure fair value into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies**

The material 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 financial statements.

**Use of estimates and judgments**

The preparation of the financial statements required management to make judgments, 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 judgments 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 2. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. The judgments 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 judgment 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.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies continued**

**Basis of consolidation**

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

Subsidiaries are entities controlled by the Credit Union. Control is achieved where the Credit Union has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of its returns. Control is reassessed if facts and circumstances indicate that there are changes to one or more of these criteria. When the Credit Union has less than a majority of voting rights of an investee, the Credit Union assesses whether it has power over the investee by determining if it has the practical ability to unilaterally direct relevant activities.

The financial statements of subsidiaries 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 is the following entity:

<u>Entity</u>	<u>Percentage Ownership</u>
Sandhills Insurance Ltd.	100 %

**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.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies continued**

*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.

The Credit Union has classified the following financial assets and liabilities as FVTPL:

Cash  
SaskCentral shares  
National Consulting shares

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

*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. 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 fair value through profit or loss.

The Credit Union has classified the following financial instruments at amortized cost:

SaskCentral investments  
Loans receivable  
Accrued interest  
Deposits  
Other liabilities  
Accounts receivable

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies continued**

*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 Credit Union has not classified any financial assets as FVOCI.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

**Financial asset 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.
-

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies continued**

Stage 1 assets consist of performing loans with credit risk that has 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.

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. 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, 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 as revenue in the period the amount is received.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies 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 in other revenue for other financial assets on the statement of comprehensive income as they occur.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and highly liquid securities with a maturity date within 90 days of the year end date. They are subject to insignificant risk of changes in fair value and are used to manage short term cash commitments.

**Investments**

Investments are initially measured at fair value. For investments not classified as FVTPL, incremental transaction costs are added to the initial measurement. Subsequent measurement is determined based on the classification of the instrument.

**Loans receivable**

Loans are initially measured at fair value plus transaction costs and subsequently at amortized cost using the effective interest method, less any expected credit losses. A loan is classified as impaired (doubtful) when there is no longer reasonable assurance that the principal and interest will be collected in full.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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3. Summary of material accounting policies continued

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. Property and equipment are amortized over their estimated useful lives using the following rates and methods, with the exception of land which is not amortized:

Buildings	2%	straight-line
Computer equipment	5%	straight-line
Computer software	5% - 11%	straight-line
Furniture and fixtures	20% - 33 1/3%	straight-line

The estimated useful lives, residual values and depreciation methods are reviewed at each year end and adjusted if appropriate.

Membership shares

Shares are classified as financial liabilities in accordance with their terms. Shares are redeemable at the option of the member, either on demand or on withdrawal from membership.

Impairment of tangible and intangible assets other than goodwill

At least annually, the Credit Union reviews 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 to determine the extent of 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 a group of assets (or cash generating unit) to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is defined as the higher of fair value less costs to sell and value in use. In assessing value in use, the Credit Union estimates future cash flows it expects to derive from the asset or group of assets along with the expectations about possible variations in the amount and timing of those cash flows. 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.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**3. Summary of material accounting policies continued**

If the recoverable amount of an asset or group of assets (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of the recoverable amount. 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 group of assets in prior years. A reversal of an impairment loss is recognized in profit or loss.

**Goodwill**

Goodwill is measured as the excess of the fair value of consideration given over the Credit Union's proportionate share of the fair value of the net identifiable assets of Sandhills Insurance Ltd. Goodwill is recorded at cost less any accumulated impairment losses.

Goodwill is not amortized, but reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Credit Union's cash generating units that are expected to benefit from the synergies of the combination. Impairment is tested annually or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit, and then reduces the carrying amount of the other assets of the unit on a pro rata basis. An impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

**Loan interest revenue**

Loan and lease interest revenue is recognized on the accrual basis using the effective interest rate method for all loans not classified as impaired. When a loan becomes impaired, recognition of interest income ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for credit losses as an adjustment of the specific allowance.

Fees that are an integral part of the effective interest rate of the financial instrument, including loan origination, commitment, restructuring and renegotiation fees, are capitalized as part of the related asset and amortized to interest income over the term of the loan using the effective interest method.

**Investment interest revenue**

Investment interest income is recognized on the accrual basis using the effective interest method. Purchase premiums and discounts are amortized using the effective interest method over the term to maturity of the applicable investment.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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3. Summary of material accounting policies continued

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 11% 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.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**3. Summary of material accounting policies continued**

**Future accounting and reporting changes**

The Canadian Accounting Standards Board (AcSB) has issued new and amended IFRS standards under Part I of the CPA Canada Handbook which are not yet effective. None of the new or amended standards have been implemented in these financial statements. The significant change that will impact the Credit Union in future periods is as follows:

*IFRS 18 Presentation and Disclosure in Financial Statements*

This new standard was issued in April 2024 and will replace IAS 1 *Presentation of Financial Statements*. This new standard is effective for annual periods beginning on or after January 1, 2027, but earlier application is permitted. The new standard will require defined subtotals in the statement of comprehensive income, disclosure of management-defined performance measures and enhanced principles around aggregation and disaggregation of information within the financial statements.

**4. Cash and cash equivalents**

	<u>2025</u>	<u>2024</u>
Cash balances	\$ 3,055,332	\$ 3,002,826
SaskCentral deposits with maturities < 90 days	16,477,999	15,682,885
	<u>\$ 19,533,331</u>	<u>\$ 18,685,711</u>

**5. Investments**

	<u>2025</u>	<u>2024</u>
<b>Fair value through profit or loss:</b>		
SaskCentral shares	\$ 191,203	\$ 245,778
National Consulting shares	20,000	20,000
	<u>211,203</u>	<u>265,778</u>
<b>Amortized cost:</b>		
SaskCentral investments	36,968,913	30,383,582
Accrued interest	492,292	580,426
	<u>37,461,205</u>	<u>30,964,008</u>
	<u>\$ 37,672,408</u>	<u>\$ 31,229,786</u>

At December 31, 2025, the market value of investments classified as amortized cost is \$37,746,592 (2024 - \$31,341,456).

At December 31, 2025, \$13,461,203 (2024 - \$17,215,778) of investments are expected to be recovered more than 12 months after the reporting date. There is no allowance for expected credit losses on investments (2024 - \$nil).

Pursuant to Regulation 18(1)(a), credit unions must maintain 8.65% 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, 2025, the Credit Union met the requirement.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

6. Loans receivable

					2025
	Performing	Impaired	Allowances		Net
			Individual	Collective	
Conventional mortgages					
- Residential & farm	\$ 42,880,902	\$ 97,170	\$ -	\$ (24,718)	\$ 42,953,354
Personal loans	5,416,985	76,891	(70,801)	(7,357)	5,415,718
Lines of credit and overdrafts	2,417,692	-	-	(13,162)	2,404,530
Non-personal loans	12,507,144	128,039	-	(130,997)	12,504,186
Accrued interest	639,679	10,887	(10,887)	-	639,679
	<u>\$ 63,862,402</u>	<u>\$ 312,987</u>	<u>\$ (81,688)</u>	<u>\$ (176,234)</u>	<u>\$ 63,917,467</u>
					2024
Conventional mortgages					
- Residential & farm	\$ 37,470,556	\$ 97,170	\$ -	\$ (33,288)	\$ 37,534,438
Personal loans	4,250,933	70,801	(70,801)	(8,554)	4,242,379
Lines of credit and overdrafts	2,858,598	-	-	(20,114)	2,838,484
Non-personal loans	11,619,070	59,764	-	(79,494)	11,599,340
Accrued interest	503,178	6,176	(6,176)	-	503,178
	<u>\$ 56,702,335</u>	<u>\$ 233,911</u>	<u>\$ (76,977)</u>	<u>\$ (141,450)</u>	<u>\$ 56,717,819</u>

At December 31, 2025, \$42,152,087 (2024 - \$39,702,473) of loans are expected to be recovered more than 12 months after the reporting date.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**6. Loans receivable continued**

During the year, the Credit Union administered the advancement and repayment of funds under the Canada Emergency Business Account Program (CEBA) on behalf of the Government of Canada. As the program administrator, the CEBA loans outstanding are not assets of the Credit Union and thus are not recognized in the financial statements. At December 31, 2025, the CEBA loans outstanding totaled \$209,050 (2024 - \$243,350).

The following table discloses the reconciliation of the allowance for expected credit losses on loans:

	<u>2025</u>	<u>2024</u>
Allowance for expected credit losses - January 1	\$ 218,427	\$ 175,936
Change in expected 12 month credit losses	32,705	6,013
Change in lifetime credit losses related to:		
Assets where credit risk has increased significantly	2,080	2,417
Assets that are credit impaired	4,711	34,061
	<u>257,923</u>	<u>218,427</u>
Allowance for expected credit losses - December 31	\$ 257,923	\$ 218,427

The aging of loans, including those past due but not impaired and those that were individually impaired, as at December 31, 2025 was:

	<u>2025</u>		<u>2024</u>	
	<u>Performing</u>	<u>Impaired</u>	<u>Performing</u>	<u>Impaired</u>
Current	\$ 232,559	\$ -	\$ 278,554	\$ -
31 - 90 days	371,742	-	242,874	-
91 - 120 days	-	68,275	-	-
120+ days	-	244,712	-	233,911
Total	<u>\$ 604,301</u>	<u>\$ 312,987</u>	<u>\$ 521,428</u>	<u>\$ 233,911</u>

The Credit Union holds collateral on loans provided to customers in the form of interests in real property, chattel property, securities and guarantees. At December 31, 2025, total credit impaired loans were \$312,987 (2024 - \$233,911), which are secured by an estimated collateral value of \$231,299 (2024 - \$156,934). The allowance for expected credit losses on credit impaired loans is \$81,687 (2024 - \$76,977).

**7. Other assets**

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 243,721	\$ 239,842
Goodwill	282,789	282,789
Deferred income tax assets	77,700	49,900
Prepaid expenses	35,151	70,428
	<u>\$ 639,361</u>	<u>\$ 642,959</u>

Other assets are expected to be recovered within the next 12 months, except for goodwill and deferred income tax assets (see Note 17).

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**8. Property and equipment**

	Furniture				
	Land	Buildings	& Equipment	Computer	Total
<b>Cost</b>					
Balance at January 1, 2024	\$ 22,743	\$2,473,621	\$ 831,873	\$ 615,359	\$3,943,596
Additions	-	-	9,566	58,088	67,654
Balance at December 31, 2024	\$ 22,743	\$2,473,621	\$ 841,439	\$ 673,447	\$4,011,250
Balance at January 1, 2025	\$ 22,743	\$2,473,621	\$ 841,439	\$ 673,447	\$4,011,250
Additions	-	-	20,695	-	20,695
Balance at December 31, 2025	\$ 22,743	\$2,473,621	\$ 862,134	\$ 673,447	\$4,031,945
<b>Depreciation and impairment losses</b>					
Balance at January 1, 2024	\$ -	\$1,165,617	\$ 751,929	\$ 504,471	\$2,422,017
Depreciation expense	-	95,268	16,959	56,012	168,239
Balance at December 31, 2024	\$ -	\$1,260,885	\$ 768,888	\$ 560,483	\$2,590,256
Balance at January 1, 2025	\$ -	\$1,260,885	\$ 768,888	\$ 560,483	\$2,590,256
Depreciation expense	-	92,893	19,028	44,011	155,932
Balance at December 31, 2025	\$ -	\$1,353,778	\$ 787,916	\$ 604,494	\$2,746,188
<b>Net book value</b>					
Balance at December 31, 2024	\$ 22,743	\$1,212,736	\$ 72,551	\$ 112,964	\$1,420,994
Balance at December 31, 2025	22,743	1,119,843	74,218	68,953	1,285,757

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**9. Deposits**

	<u>2025</u>	<u>2024</u>
Chequing	\$ 26,790,337	\$ 24,611,660
Savings	37,445,358	28,958,341
Term deposits	31,107,485	29,451,536
Registered accounts	8,838,981	8,802,998
Other	4,274,278	2,779,597
Accrued interest	1,035,831	1,090,366
	<u>\$ 109,492,270</u>	<u>\$ 95,694,498</u>

At December 31, 2025, \$12,870,000 (2024 - \$18,876,000) of deposits are expected to be settled more than 12 months after the reporting date.

**10. Loans payable**

The Credit Union has an authorized line of credit with SaskCentral in the amount of \$2,100,000. This line of credit bears interest at 3.95% and is secured by statutory liquidity held at SaskCentral. At the end of the year, the amount outstanding was \$NIL (2024 - \$NIL).

**11. Other liabilities**

	<u>2025</u>	<u>2024</u>
Accounts payable	\$ 745,229	\$ 628,278
Income taxes payable (recoverable)	(329,643)	(99,128)
	<u>\$ 415,586</u>	<u>\$ 529,150</u>

Other liabilities are expected to be settled within the next 12 months.

**12. Membership shares**

**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.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**12. Membership shares continued**

The number of outstanding membership shares consists of:

	<u>2025</u>	<u>2024</u>
Issued at January 1	\$ 7,930	\$ 7,735
Issued	1,085	515
Redeemed	<u>(505)</u>	<u>(320)</u>
Issued at December 31	<u>\$ 8,510</u>	<u>\$ 7,930</u>

**Equity accounts**

Member equity accounts are provided based on credit union policies, are non-appreciating, bear no rate of return, and are subject to specific restrictions for withdrawal by the member.

**13. 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. CUDGC's Standards of Sound Business Practice (SSBP) that incorporate the Basel III framework took effect on July 1, 2013.

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 150% 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 4.5%. 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% effective January 1, 2016. The capital conservation buffer is designed to avoid breaches of the minimum capital requirement.

Tier 1 capital is defined as a Credit Union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting 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.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**13. 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 2025:

	<u>Regulatory Standards</u>	<u>Board Minimum</u>
Total eligible capital to risk-weighted assets	8%	13%
Total tier 1 capital to risk-weighted assets	6%	11%
Common equity tier 1 capital to risk-weighted assets	4.5%	11%
Minimum leverage ratio	5%	7.5%

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

	<u>2025</u>	<u>2024</u>
<b>Eligible capital:</b>		
Common equity tier 1 capital	\$ 12,847,000	\$ 12,166,000
Additional tier 1 capital	-	-
Total tier 1 capital	12,847,000	12,166,000
Total tier 2 capital	185,000	149,000
<b>Total eligible capital</b>	\$ 13,032,000	\$ 12,315,000
<b>Risk-weighted assets</b>	\$ 63,056,000	\$ 56,347,000
Total eligible capital to risk-weighted assets	20.67%	21.86%
Total tier 1 capital to risk-weighted assets	20.37%	21.59%
Common equity tier 1 capital to risk-weighted assets	20.37%	21.59%
Leverage ratio	10.41%	11.19%

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**14. 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, 2025, certain members of the board of directors and key management personnel were indebted to the Credit Union for amounts totaling \$4,388,901 (2024 - \$6,014,108). These loans were granted under the same lending policies applicable to other members, and are included in loans receivable on the statement of financial position.

**Deposit accounts:**

Directors and key management personnel may hold deposit accounts. 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.

**Remuneration:**

Compensation provided to directors and key management personnel, consisting of salaries, honoraria, and benefits, totalled \$206,750 (2024 - \$328,707).

**15. Classification and fair value of financial instruments**

The following table summarizes the carrying amount and fair values of the Credit Union's financial instruments.

	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	\$ 19,533,331	\$ 19,533,331	\$ 18,685,711	\$ 18,685,711
Investments	37,672,408	37,957,795	31,229,786	31,607,234
Loans	63,917,467	*Note	56,717,819	*Note
Other assets	243,721	243,721	239,842	239,842
<b>FINANCIAL LIABILITIES</b>				
Deposits	109,492,270	*Note	95,694,498	*Note
Other liabilities	745,229	745,229	628,278	628,278

\*Note: The fair value of loans and deposits has not been reported as the carrying amounts are a reasonable approximation of fair value.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**15. Classification and fair value of financial instruments continued**

The following methods and assumptions 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.

Fair 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.

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.

The following table provides an analysis of financial instruments measured at fair value at the end of the reporting period, by the fair value hierarchy into which the fair value measurement is categorized:

	2025			Total
	Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS</b>				
SaskCentral shares	\$ 191,203	\$ -	\$ -	\$ 191,203
National Consulting shares	20,000	-	-	20,000
Deposits <90 days	16,477,999	-	-	6,477,999
	2024			Total
	Level 1	Level 2	Level 3	
<b>FINANCIAL ASSETS</b>				
SaskCentral shares	\$ 245,778	\$ -	\$ -	\$ 245,778
National Consulting shares	20,000	-	-	20,000
Deposits <90 days	15,682,885	-	-	5,682,885

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**16. Financial instrument risk management**

**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. Default arises when the counterparty fails to fulfill the agreed upon terms of repayment. Credit risk may arise from loans, receivables or 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 and the maximum unsecured lending limit is \$125,000. The established portfolio mix for 2025 is:

	<u>Board policy</u>	<u>Actual</u>
Consumer	50-70%	51%
Agriculture	20-60%	40%
Commercial	5-15%	9%
Purchased	0-20%	-%
Leases	0-2%	-%

Except as otherwise noted below, the carrying amount of the financial assets recognized in the financial statements, which is net of expected credit losses, represents the Credit Union's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held. During the period, \$69,011 (2024 - \$NIL) of loans were written off but still subject to enforcement activity. At December 31, 2025, the Credit Union held \$NIL (2024 - \$NIL) in assets pledged as security on loans. There are no allowances or impairments recognized on investments or off balance sheet assets.

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

	<u>Loans</u>	<u>Investments</u>
Stage 1 Remote / Low Risk	\$ 63,306,905	\$ 37,672,408
Stage 2 Moderate Risk	297,575	-
Stage 3 Higher Risk	312,987	-
Total	<u>\$ 63,917,467</u>	<u>\$ 37,672,408</u>

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 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.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

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**16. Financial instrument risk management continued**

Guarantees and standby letters of credit represent irrevocable commitments that the Credit Union will make payments in the event that a customer can not 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.

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.

	<u>2025</u>	<u>2024</u>
Undrawn lines of credit	\$ 5,380,308	\$ 4,527,811
Guarantees and standby letters of credit	224,311	224,311
Commitments to extend credit	1,319,962	267,667

**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.

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 below.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

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**16. Financial instrument risk management continued**

*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 (percentage by which an asset's market value is reduced based on risk) 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. The Credit Union met and complied with the CUDGC minimum LCR of 100%.

**Market risk**

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

Market 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, monthly 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 did not use interest rate swaps in the current year.

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**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**16. Financial instrument risk management continued**

The table below summarizes the carrying amounts of financial instruments exposed 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.

	<b>2025</b>						<b>Total</b>
	<b>On Demand</b>	<b>Within 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Over 1 year to 5 years</b>	<b>Over 5 years</b>	<b>Non-interest sensitive</b>	
<b>ASSETS</b>							
Total assets	\$ 19,289,000	\$ 8,742,000	\$ 34,136,000	\$ 52,961,000	\$ 1,984,000	\$ 6,788,000	\$123,900,000
<b>LIABILITIES</b>							
Total liabilities	33,342,000	12,762,000	19,561,000	12,870,000	-	45,365,000	123,900,000
On-balance sheet gap	\$ (14,053,000)	\$ (4,020,000)	\$ 14,575,000	\$ 40,091,000	\$ 1,984,000	\$ (38,577,000)	-

	<b>2024</b>						<b>Total</b>
	<b>On Demand</b>	<b>Within 3 months</b>	<b>Over 3 months to 1 year</b>	<b>Over 1 year to 5 years</b>	<b>Over 5 years</b>	<b>Non-interest sensitive</b>	
On-balance sheet gap	\$ (10,574,000)	\$ 1,964,000	\$ 1,642,000	\$ 40,911,000	\$ 493,000	\$ (34,437,000)	-

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

A 1% change in interest rates with all other variables held constant would result in a change in the Credit Union's profit for the year ended December 31, 2025 of \$101,000 (2024 - \$69,000). The Credit Union uses static gap reports to simulate the effect of a change in the market rate of interest.

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**17. Income taxes**

Income tax expense is comprised of:

	<u>2025</u>	<u>2024</u>
<b>Current tax expense</b>		
Current period	\$ 148,411	\$ 187,184
	148,411	187,184
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(27,800)	(18,800)
	(27,800)	(18,800)
 <b>Total income tax expense</b>	 <u>\$ 120,611</u>	 <u>\$ 168,384</u>

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

	<u>2025</u>	<u>2024</u>
Income before provision for income taxes	\$ 786,878	\$ 952,132
Combined federal and provincial tax rate	27.00 %	27.00 %
Income tax expense at statutory rate	212,457	257,076
Adjusted for the effect of:		
Non-deductible expenses	1,459	2,181
Non-taxable income	(4,368)	-
Small business deduction	(88,976)	(91,319)
Other differences	39	446
	<u>\$ 120,611</u>	<u>\$ 168,384</u>

**SANDHILLS CREDIT UNION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**17. Income taxes continued**

Deferred income tax assets and liabilities recognized are attributable to the following:

	<u>2025</u>	<u>2024</u>
<b>Deferred income tax assets</b>		
Property and equipment	\$ 27,900	\$ 9,600
Loans	49,800	40,300
	<u>\$ 77,700</u>	<u>\$ 49,900</u>
<b>Deferred tax assets</b>		
- To be recovered after more than 12 months	\$ 27,900	\$ 9,600
- To be recovered within 12 months	\$ 49,800	\$ 40,300
<b>Deferred income tax liabilities</b>		
- To be recovered after more than 12 months	\$ -	\$ -

**18. Employee future benefits**

The Credit Union's employee future benefit program consists of a defined contribution pension plan. Credit Union contributions to the defined contribution plan are expensed as incurred. The Credit Union has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Pension benefits of \$56,505 (2024 - \$49,434) were paid to defined contribution retirement plans during the year.

**SANDHILLS CREDIT UNION**  
**SCHEDULE OF NON-INTEREST EXPENSES**  
**(Unaudited)**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(with comparative figures for the year ended December 31, 2024)**

**SCHEDULE 1**

	<u>2025</u>	<u>2024</u>
<b>General business</b>		
Amortization - equipment	\$ 63,039	\$ 72,970
Audit and regulatory inspection	73,414	71,826
Business development	87,180	57,675
Cash shortage	(317)	(368)
Computer costs	563,464	470,381
Legal, registration	10,972	19,507
Maintenance, insurance - equipment	14,694	11,761
Office	91,478	97,012
Rental - equipment	-	3,197
Service charges, clearing fees	22,390	11,276
Telephone, postage, courier	62,312	51,811
Non-deductible expenses	-	1,389
Other general business	551,011	528,919
	<u>\$ 1,539,637</u>	<u>\$ 1,397,356</u>
<b>Occupancy</b>		
Amortization - building	\$ 92,893	\$ 95,268
Maintenance, taxes, insurance - building	49,054	46,956
Utilities	16,221	18,749
	<u>\$ 158,168</u>	<u>\$ 160,973</u>
<b>Organizational</b>		
Annual meeting	\$ -	\$ 5,781
SaskCentral dues	6,125	4,938
Development - officials	18,075	8,868
Remuneration - officials	21,200	34,401
Other organizational	23,337	19,451
	<u>\$ 68,737</u>	<u>\$ 73,439</u>

**SANDHILLS CREDIT UNION**  
**SCHEDULE OF NON-INTEREST EXPENSES**  
(Unaudited)  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
(with comparative figures for the year ended December 31, 2024)

**SCHEDULE 1 - Continued**

	<u>2025</u>	<u>2024</u>
<b>Personnel</b>		
Benefits	\$ 188,661	\$ 156,960
Development	34,836	21,309
Salaries	1,062,136	1,243,237
Other personnel	<u>54,953</u>	<u>57,571</u>
	<u>\$ 1,340,586</u>	<u>\$ 1,479,077</u>
<b>Security</b>		
Bonding insurance	\$ 34,280	\$ 33,277
Deposit guarantee assessment	<u>76,048</u>	<u>71,387</u>
	<u>\$ 110,328</u>	<u>\$ 104,664</u>

Community



Matters

SCU



# 2025 Donations

**S**andhills Credit Union

*Providing Excellence in Financial  
Services that Enrich our Community*



Name of Charity/Organization	Amount	Q	Date
Dance Fusion Scholarship	1,000.00	Q1	January 7, 2025
Minor Hockey Day Basket \$47.54+\$7.06 (tissue paper)	54.60	Q1	January 7, 2025
Cash Donations given to Food Bank	72.90	Q1	January 7, 2025
Leader Bucks (Ecuador building trip) Fundraiser	50.00	Q1	January 14, 2025
Children's Hospital Activity Book	276.39	Q1	January 27, 2025
Christmas Gifts for residents	552.07	Q1	January 30, 2025
Pink Shirt Day	249.69	Q1	February 5, 2025
Abbey Steak & Lobster	1,500.00	Q1	February 7, 2025
Southwest Raiders Volleyball	1,000.00	Q1	February 11, 2025
Millennium Gardens	5,000.00	Q1	February 11, 2025
Sponsorship for Art's Council performance at LCS	1,933.80	Q1	February 19, 2025
Leader Skating Club	500.00	Q1	February 20, 2025
Leader Library	5,000.00	Q1	February 20, 2025
Saskatchewan young Leaders	1,000.00	Q1	February 28, 2025
Sandhills Music Festival	200.00	Q1	March 26, 2025
Leader Alliance Church Youth Group-Shawna Employee Community Contribution Program	200.00	Q1	March 28, 2025
Leader Composite School Career Fair	60.00	Q2	April 7, 2025
Wild Game Supper Raffle Basket	43.44	Q2	April 8, 2025
Credit back to the GL for cancelled LCS/arts council performance	-1,933.80	Q2	April 11, 2025
Sandhills Roping Club	1,000.00	Q2	April 22, 2025
Credit to the GL from AGM ticket sales	350.00	Q2	April 24, 2025
LCS Food bank donation-AGM ticket sales + \$500	850.00	Q2	April 24, 2025
Leader Mud Bogs	700.00	Q2	May 1, 2025
The Cure Foundation	85.00	Q2	May 15, 2025
Sandhills Insurance SW Grow Project Insurance	400.00	Q2	June 5, 2025
Nationals Jr H School Rodeo Tiring/Young	200.00	Q2	June 13, 2025
Arts Council 2025/2026 Season Donation	500.00	Q2	June 16, 2025

Leader and District Chamber – Cari employee donation	200.00	Q2	June 20, 2025
Leader food bank – Jenna Employee donation	200.00	Q2	June 20, 2025
Team Okraincee U18 Curling team	200.00	Q2	June 30, 2025
Leader Swimming Pool	800.00	Q3	July 3, 2025
Leader Ministerial	200.00	Q3	July 30, 2025
Community Bbq	100.00	Q3	August 11, 2025
RRGC Junior Golf Club- Nicole employee donation	200.00	Q3	August 15, 2025
Leader Health care Foundation – Leader Bucks	400.00	Q3	August 26, 2025
Pumpkin Growers	250.00	Q3	September 22, 2025
First Annual Donation to River Ridge Golf Club	25,000.00	Q4	October 1, 2025
Lancer Choke Cherry Festival	750.00	Q4	October 2, 2025
Leader Flyers - Shoot to Win	850.00	Q4	November 10, 2025
Club DJ - Trina's Employee Donation	200.00	Q4	November 21, 2025
Leader and Area Food Bank - Virginia's Employee Donation	200.00	Q4	November 21, 2025
Leader and Area Food Bank - Mandy's Employee Donation	200.00	Q4	November 21, 2025
Leader and Area Food Bank - Dessorey's Employee Donation	200.00	Q4	November 21, 2025
El Salvador Shelter Auction Gift Basket	35.29	Q4	December 1, 2025
WSCH Christmas Gift	155.79	Q4	December 23, 2025
Leader Tourism - Employee Volunteerism Donation	200.00	Q4	December 30, 2025
In memory of deceased members	250.00		

# Board Service Awards



**Gordon  
Kuntz**

**Board Retirement:  
Beth Heatcoat**

*13yrs*

**Thank you for your service!**

**S***andhills Credit Union*

*Providing Excellence in Financial  
Services that Enrich our Community*



# Long Term Service Awards

10

**Rebecca  
Eastwood**



20

**Nicole  
Stimson**



45

**Pamela  
Ristau**





## CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE

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

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

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

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