SASKCENTRAL®

Dedicated to Credit Union Success

2014 ANNUAL REPORT

Table of Contents

SaskCentral *will work toward the achievement of a nationally unified and internationally capable co-operative financial network.*

OUR VISION

The ultimate destination of our company.

Enable credit unions to build lives and fulfill dreams.

OUR MISSION

How we plan to get there.

Help our partners thrive.

OUR VALUES

The standards and principles by which our brand lives.

Honest
Trustworthy
Co-operative
Enterprising

Dean Walde,
Board President

Keith Nixon,
CEO

Letter from the

President and the CEO

It's our pleasure to present the SaskCentral 2014 Annual Report.

We are again able to report that the past year was one of strong financial performance. While this is always welcome news, at the same time, 2014 was also a year of accelerated transformation for SaskCentral.

For many years SaskCentral has been designing and following its strategic path with the understanding that the changes and challenges facing credit unions require a corresponding evolution of our own organization. This has taken on greater urgency recently with several major events simultaneously impacting our credit union system. Among others, these have included the federal government's decision to exit dual regulation of the provincial centrals; the need to identify alternative liquidity and capital options; the increasing size of credit unions along with the continuing decline in the number of credit unions; and the changing needs and expectations of customers of financial services.

SaskCentral's role in responding to these challenges has been twofold. First, in keeping with our key strategic goal of working toward a nationally unified financial network, in 2014 we stepped up our efforts at facilitating national discussions around potential partnerships and collaborative action. Second, we have implemented changes to our operations that keep us aligned with the changes occurring among Saskatchewan credit unions.

Several of these changes appeared as explicit targets in our 2014 business plan. Improved responsiveness to credit unions was a priority for SaskCentral. The effectiveness of measures undertaken during the year was shown by the resulting increase in credit union satisfaction as indicated through our annual survey. Other internal targets set to improve planning and/or service included further integration of a three-year timeframe into our planning process, redevelopment of SaskCentral's credit union extranet, and implementation of a client information system, which were also successfully achieved during the year.

Continuing our efforts to eliminate cross-subsidization and to create a leaner organization, the decision was made to provide SaskCentral's General Human Resources Consulting Services and Promotions Plus business through co-operative arrangements with Central 1 and Alberta Central. Changes to office size and distribution of employees within our building have also freed up floor space, allowing SaskCentral to optimize rental revenue from our Regina office building. Other positive news emerged from our successful efforts to expand SaskCentral's consulting services among credit unions in Manitoba and Alberta, including significant engagements in the areas of internal audit and enterprise risk management.

A number of governance changes were also carried on or begun in 2014. One key change was the combining of the system's annual delegate and peer group meetings. Apart from the cost savings achieved, the new format allows credit union CEOs, delegates and SaskCentral to receive and share the same messages and information, improving lines of communication.

Other changes also came about through SaskCentral's governance review. These included the reduction of SaskCentral's board to eight members, and amendments to the credit union delegate structure. Both these changes reflect the reality of the smaller number of credit unions in Saskatchewan today.

Continued

Letter from the President and the CEO

One critically important activity that extended from 2013 into 2014 was the advocacy campaign in support of maintaining the current Saskatchewan tax deduction for credit unions. While the federal government's elimination of the deduction was costly for Saskatchewan credit unions, the potential for the Saskatchewan government to follow suite with their own deduction elimination would have been even more so, adding $7.6 million to the existing tax burden.

The response by credit unions and their members was unprecedented, filling the in-boxes of their elected representatives and the Minister of Finance with the postcards and letters from credit unions. Delegates played a key role, engaging MLAs at every opportunity to discuss the uniqueness and critical community impact of credit unions – factors which underlay the original purpose of the tax deduction and which still apply today.

We are very thankful for the response provided by the Saskatchewan government, which demonstrated it heard and understood the messages being delivered. The announcement in the 2014 provincial budget that the current tax deduction would remain in place was an enormous relief to a credit union system that is often painted with the same regulatory brush as banks, although the two are structurally and strategically very different.

In 2014 SaskCentral was an active participant in the national Central Chairs and CEOs meetings. Meetings of this group are valuable opportunities for centrals to discuss issues of Canada-wide importance and to identify areas where collective action is needed. Further national involvement occurred in SaskCentral's support for Canadian Central's national trade association initiative through which the organization will transition to a pure trade association role and be renamed the *Canadian Credit Union Association*.

The year also saw a heightened level of co-operation among credit unions and others within the financial services industry. As the major shareholder of Concentra Financial, SaskCentral was signatory to a memorandum of understanding (MOU) along with Central 1 and Concentra. This MOU was publicly announced in December. It indicates that Central 1 and Concentra are investigating options to provide enhanced levels of service and new solutions to the credit union system.

Results were also seen in the signing of an MOU between SaskCentral, a number of Saskatchewan credit unions and Farm Credit Canada (FCC). This is a positive indication of the willingness of FCC and credit unions to coordinate their activities in ways that benefit their mutual customers.

Steps of these types were important milestones in 2014. They indicate a new willingness within our system for coordinated action to overcome challenges and capitalize on emerging opportunities, and have the potential to benefit all Canadians in their search for better and more affordable financial services. As the central service organization for Saskatchewan credit unions, SaskCentral is well positioned to take a key facilitation and support role for a stronger, more united credit union system in collaboration with others.

Dean Walde
President

Keith Nixon
CEO

Corporate Governance

SaskCentral corporate governance is anchored in the co-operative principle of democratic member control. Our governance model and democratic structure differentiates the credit union system from other financial service organizations. Dedicated to our co-operative values, we work to ensure SaskCentral has effective, ethical and transparent governance practices.

Board of Directors

SaskCentral's board is elected by delegates of Saskatchewan credit unions. The board is responsible for providing strategic oversight to SaskCentral, overall governance, monitoring progress toward business plan objectives and for representing the interests of our province's credit unions based on size, geography and credit union membership. All are independent directors.

In 2014, the board passed a resolution to decrease the size of the board of directors from thirteen to eight members. This is designed to reflect changes to the Saskatchewan credit union system and to bring a more responsive and efficient form of governance to SaskCentral. These changes will take effect upon the close of the 2015 SaskCentral annual meeting.

Back Row (left to right) Pieter McNair, Kevin Lukey, Mark Lane, Laverne Goodsman, Eric Dillon, Mitchell Anderson, Tim Goddard, Scott Flavel, Russ Siemens, Wayne Kabatoff

Front Row (left to right) Dean Walde, Al Meyer, Gilles Colbert

Corporate Governance

Dean Walde, President

Elected to SaskCentral Board of Directors in 2006. Agricultural producer. Director, Synergy Credit Union and Credit Union Deposit Guarantee Corporation.

- Term expires: 2015
- Meetings attended: 10/10

Gilles Colbert

Elected to SaskCentral Board of Directors in 2009. Retired Manager, Unity Credit Union Limited. Director, Concentra Financial. Director, The Co-operators.

- Term expires: 2015
- Meetings attended:10/10

Scott Flavel

Elected to SaskCentral Board of Directors in 2009. Agricultural producer. Director, Affinity Credit Union.

- Term expires: 2015
- Meetings attended: 9/10

Laverne Goodsman

Elected to SaskCentral Board of Directors in 2013. Agricultural producer. Director, Conexus Credit Union. Delegate, Centre for the Study of Co-operatives.

- Term expires: 2016
- Meetings attended: 10/10

Wayne Kabatoff

Elected to SaskCentral Board of Directors in 2013. Director, Conexus Credit Union. Delegate, Saskatchewan Co-operative Association.

- Term expires: 2015
- Meetings attended: 10/10

Mark Lane

Elected to SaskCentral Board of Directors in 2013. CEO, Affinity Credit Union. Delegate, Saskatchewan Co-operative Association.

- Term expires: 2017
- Meetings attended: 8/10

Pieter McNair

Elected to SaskCentral Board of Directors in 2012. Retired Manager, Kelvington Credit Union. Delegate, The Co-operators. Director, Concentra Financial.

- Term expires: 2015
- Meetings attended: 10/10

Al Meyer

Elected to SaskCentral Board of Directors in 2007. CEO, Prairie Centre Credit Union. Director, Co-operative Superannuation Society and Concentra Financial.

- Term expires: 2017
- Meetings attended: 10/10

Tim Goddard

Elected to SaskCentral Board of Directors in 2014. CEO, Rockglen-Killdeer Credit Union.

- Term expires: 2017
- Meetings attended: 8/8

Kevin Lukey

Elected to the SaskCentral Board of Directors in 2014. CEO, Cornerstone Credit Union. Delegate, Co-operative Superannuation Society. Director, Celero Solutions.

- Term expires: 2017
- Meetings attended: 7/8

Corporate Governance

Russ Siemens

Elected to SaskCentral Board of Directors in 2014. Director, Innovation Credit Union. Director, Concentra Financial.

- Term expires: 2017
- Meetings attended: 8/8

Mitchell Anderson

Elected to SaskCentral Board of Directors in 2014. Student. Director, Affinity Credit Union.

- Term expires: 2016
- Meetings attended: 4/5

Eric Dillon

Elected to SaskCentral Board of Directors in 2013. CEO, Conexus Credit Union.

- Term expires: 2017
- Meetings attended: 7/8

Board Charter and Director Profile

The SaskCentral board maintains written descriptions of the mandate and key responsibility areas for the board as a whole and for the individual director. The descriptions serve as a basis for director orientation, functioning, evaluation and development planning.

Compensation

Director compensation is paid according to policy which is periodically benchmarked against that of other like organizations. All payments are subject to review by the chair of the board and SaskCentral Internal Audit. Chair compensation is subject to review by the vice-chair and is also subject to review by Internal Audit.

Director	Per Diem[1]	Per Diem Paid to Organization	Honorarium	Honorarium Paid to Organization	Total
Mitchell Anderson****	1,063		2,892		3,955
Myrna Bentley***	2,475		3,825		6,300
Gilles Colbert	17,869		8,100		25,969
Eric Dillon*		6,250		5,859	12,109
Loretta Elford**	1,938		2,239		4,177
Scott Flavel	10,125		8,100		18,225
Tim Goddard*	6,604		5,860		12,464
Laverne Goodsman	6,875		8,100		14,975
Wayne Kabatoff	12,938		8,100		21,038
Mark Lane		5,950		8,100	14,050
Gordon Lightfoot**	1,750		2,239		3,989
Kevin Lukey*	5,125		5,860		10,985
Pieter McNair	13,313		8,100		21,413
Al Meyer	14,344		8,100		22,444
Russ Siemens*	13,781		5,860		19,641
Ken Sherwin**	3,626		2,239		5,865
Dean Walde (Chair)	43,481		33,000		76,481
Gordon Young**	5,818		2,239		8,057
Total:	**$161,125**	**$12,200**	**$114,853**	**$13,959**	**$302,137**

[1]As a consequence of being on the SaskCentral board, SaskCentral directors may be nominated to serve as directors for a number of other co-operative organizations. To the extent that those other organizations do not provide compensation for board service, SaskCentral policy provides remuneration to its directors for time spent in these alternate duties.

* Became a director at the April 2014 Annual Meeting

**Ceased being a director as of April 2014 Annual Meeting

*** Ceased being a director as of June, 2014

****Became a director in August, 2014.

Board Evaluation

Evaluations are periodically conducted to ensure board operations are efficient and adhere to the highest standards of integrity. In 2014 the board performed a comprehensive evaluation of board and chair effectiveness. This evaluation was compiled in December 2014 and the board will be examining results and recommendations in 2015. The board maintains a director development policy aimed at providing resources to support ongoing personal development. Board development activities in 2014 focused on improving governance and enhancing decision-making processes.

Code of Conduct

A written code of ethical business conduct has been adopted by the board to guide director, delegate and employee activities and ensure accountability. All directors, delegates and employees of SaskCentral are required annually to sign a statement that they have read and will abide by this code. The code of conduct is reviewed every two years by the board and corporate counsel.

Whistle Blower Policy

A SaskCentral whistle blower policy states that all SaskCentral employees, directors and delegates are responsible for reporting actual or potential unethical conduct. The intent of this policy is to provide individuals with a mechanism or channel by which they can report incidents of actual or potential improper or unethical conduct without fear of reprisal or unwarranted negative consequences. The whistle blower policy is reviewed by the board and corporate counsel every two years.

CEO Position Description

The SaskCentral board maintains a written description of the position of the CEO, outlining the role, accountabilities and challenges of the position and providing a reference point for the development of the CEO's annual performance plan. A CEO performance plan is developed and evaluated based on the position description, business plan and balanced scorecard.

Committees

Executive Committee

Role:

- Demonstrates leadership on behalf of the board of directors while representing the business affairs of SaskCentral.
- Supports the board with director recruitment and succession, committee appointments and review of remuneration policies.

Members:

	Meetings Attended
Dean Walde – President	5/5
Eric Dillon	3/3
Russ Siemens	3/3
Scott Flavel	5/5
Al Meyer	5/5

Audit and Risk Committee

Role:

- Ensures an independent review of SaskCentral's financial operation in areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to sound business practices.
- Oversees the effectiveness of the governance and management control environment within SaskCentral.
- Ensures SaskCentral's enterprise risk management framework is appropriate to optimize liquidity, market, credit, legal and regulatory, operational and strategic risk for the protection and creation of shareholder value.

Members:

	Meetings Attended
Gilles Colbert – Chair	5/5
Russ Siemens	2/2
Wayne Kabatoff	5/5
Mark Lane	4/4
Kevin Lukey	4/4
Dean Walde (ex-officio)	3/5

Corporate Governance

Delegate Engagement Committee

Role:

- Encourages delegate participation in SaskCentral and credit union system policy debate, and assists in planning provincial delegate forums.
- Supports the submission of resolutions for presentation to delegates and monitors action on resolutions that have been passed by delegates.

Members:

	Meetings Attended
Laverne Goodsman	2/3
Pieter McNair	3/3
Tim Goddard	1/1
Dean Walde	3/3

Governance and Conduct Review Committee

Role:

- Monitors and oversees governance practices and processes used to support the board in carrying out its governance mandate, which is to direct and control the business affairs of SaskCentral and to support the delegate structure.
- Ensures related party transactions are identified, reviewed and dealt with in accordance with prudent business practices.
- Promotes ethical behaviours through SaskCentral's code of conduct.

Members:

	Meetings Attended
Pieter McNair	5/5
Scott Flavel	5/5
Dean Walde	5/5
Eric Dillon	4/4

Public Policy Committee

Role:

- Identifies public policy, ensures credit union input around policy positions and recommends policy decisions to the SaskCentral Board of Directors.

Members:

	Meetings Attended
Russ Siemens	4/4
Laverne Goodsman	5/5
Tim Goddard	1/1
Dean Walde	4/5

Consolidated Financial Highlights

December 31 (in thousands)	**2014** **$**	2013 $	2012 $	2011 $	2010 $
Income from continuing operations					
Net interest income after loan impairment charges	**10,892**	11,197	10,540	9,927	11,461
Non-interest income	**52,832**	55,260	60,112	55,726	67,193
Non-interest expense	**34,651**	34,396	36,247	35,127	37,888
Income taxes and non-controlling interest	**5,425**	6,001	6,164	4,120	6,252
Net income from continuing operations	**23,648**	26,060	28,241	26,406	34,514
Income (loss) from discontinuing operations	**–**	–	–	807	(119)
Net income	**23,648**	26,060	28,241	27,213	34,395
Distribution of income					
Dividends	**6,669**	8,160	8,170	9,884	19,856
Distribution as a % of average share capital	**4.9%**	6.4%	6.4%	7.8%	15.8%
Financial position – continuing operations					
Securities	**1,906,201**	1,927,146	1,889,865	1,846,152	1,667,340
Loans	**40,636**	80,568	58,927	94,277	28,995
Deposits	**1,790,716**	1,766,974	1,691,507	1,631,789	1,397,811
Members' equity	**383,382**	360,563	340,628	323,479	291,562
Financial position – discontinued operations					
Total assets	**–**	–	–	–	1,986

Executive Team

Keith Nixon, CEO

- Joined SaskCentral: 1987
- Time in the credit union system: 34 years
- Fellows designation from the Credit Union Institute of Canada
- Board member: Credit Union Central of Canada (CUCC)
- Board member: Sherwood Co-operative Association Limited

Debbie Lane, EVP CU Solutions & Chief People Officer

- Joined SaskCentral: 1992
- Certified Human Resource Professional (CHRP) designation
- Member: Saskatchewan Association of Human Resource Professionals (SAHRP)
- Member: Human Capital Media Exec Research board; Northwest & Ethical Investments LP (NEI) board; National Benefits Plan board (chair)
- Chair: Saskatchewan chapter advisory board for Children's Wish Foundation

Sheri Lucas, EVP Finance, Chief Financial Officer & Chief Risk Officer

- Joined SaskCentral: 2007
- CPA, CA designation (articling): Office of the Provincial Auditor, Saskatchewan
- Past employers: Saskatchewan Wheat Pool; Crown Investments Corporation of Saskatchewan
- Award: 100 Most Powerful Women in Canada for 2012
- Board member: Canadian Cancer Society

Corporate Profile

SaskCentral develops a wide range of business and financial solutions and undertakes numerous activities for and on behalf of Saskatchewan credit unions. Its core strategies are those business functions that are critical and closely related to the organization's strategy, while its ancillary services are those activities that are responses to current and emerging opportunities and needs of credit unions.

Core Services

Liquidity Management

SaskCentral is the system statutory liquidity manager. Through aggregating statutory liquidity deposits, SaskCentral facilitates clearing and settlement, supports daily cash flow management and coordinates emergency liquidity support.

Trade Association

The primary role of SaskCentral's trade association function is to recognize where there is strength in collective action and to facilitate these opportunities. Overall objectives are to: provide leadership in joint initiatives and through strategic policy direction; undertake credit union advocacy; represent Saskatchewan credit unions with provincial and federal governments and within the Canadian credit union system; and assist credit unions in developing and leading system-wide initiatives in response to emerging trends and regulatory compliance requirements.

Trade association areas of focus include:

System Engagement

This encompasses SaskCentral's role in gathering credit union input on corporate and system initiatives. This is accomplished through activities such as credit union spring and fall combined CEO/delegate meetings.

System Governance

This includes activities to support the effective, transparent and democratic governance of credit unions, such as board training and coordination of spring and fall system meetings.

Government Affairs

This area comprises the building of effective relationships with provincial and federal government regulators and relevant government departments. The objective of this role is to positively influence legislation and regulation by ensuring member credit unions' interests are known and clearly understood.

Compliance Support

Recognizing the cost and regulatory burden credit unions face in managing increasing compliance requirements, this function develops collective solutions in areas such as anti-money laundering, anti-terrorist financing, *Foreign Account Tax Compliance Act* (FATCA), anti-spam legislation and privacy.

Communications and Public Relations

Examples of the activities in this area include management of an extranet and public website, system sponsorships, and system media relations.

Research

This function provides analysis of economic, market and social trends to assist credit unions with strategic planning.

Ancillary Services

Strategic Investment Management

SaskCentral, on behalf of the Saskatchewan credit union system, holds ownership positions in entities that provide key services to credit unions. The oversight of investment in these partner organizations is a SaskCentral responsibility.

Ownership investment allows SaskCentral to provide competitive services and high quality support to Saskatchewan credit unions and contributes to the well-being of their members and communities. SaskCentral's investment in its partners also gives Saskatchewan credit unions a voice in partner decisions. [See Strategic Partners – pg. 28 for a complete listing.]

Non-Financial Products and Services

SaskCentral forecasts and fulfills the business advisory service needs of Saskatchewan credit unions and other co-operatives. In doing so, it provides access to a team of highly specialized consultants who support the ability of Saskatchewan credit unions to succeed in their markets.

Core non-financial products and services include:

Member Relations

Member Relations acts as the primary point of contact through which credit unions can address strategic and operational topics related to SaskCentral and its investee organizations. Though this contact, the team gathers information on the ongoing needs, interests, challenges and future strategies of credit unions, and then ensures that the information is channeled directly to SaskCentral management, executive and board, as well as into SaskCentral's partner companies.

Continued

Corporate Profile

Strategic Solutions

Strategic Solutions covers a wide range of consulting options to assist credit unions in areas such as enterprise risk management, governance and strategic planning.

Operational Solutions

Operational Solutions gives credit unions the means to improve the effectiveness and efficiency of their business procedures. Examples include fraud management, management support services, lending and deposit support, and sales and service.

Assurance Services

These services support credit unions in aligning their business operations with legislated requirements and guidelines. Example services in this category are internal audit and regulatory compliance support.

SaskCentral Initiatives

Working toward clear objectives is a key part of SaskCentral's planning and evaluation process. Each year, SaskCentral's business plan describes specific quantifiable targets as measured by a variety of evaluation tools. These targets are each listed under one of four focus areas Client (renamed "Credit Union" as of the 2015 business plan), Financial, Internal Business Processes, and People. Where applicable, specific initiatives – other than those that are simply day-to-day operations – are carried out under one of these focus areas. The following lists the initiatives appearing under Client, Internal Business Processes and People. All financial results appear later in this annual report in the Management Discussion and Analysis section, in the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements.

Client

This focus area describes projects undertaken during the year that are specifically designed to support Saskatchewan credit unions' success and business goals.

Partnership Engagement Strategy

Through a series of CEO/Chairs meetings and through its participation on the board of CUCC, SaskCentral continued to engage in discussions with other centrals. These meetings allowed participants to focus on issues that were of common concern to Canadian credit unions and to identify areas that would benefit from collective action. Exploration of a national trade association was one topic that received focused attention, with the concept receiving SaskCentral board approval in 2014.

SaskCentral and Central 1 entered into an agreement during the year in regard to provision of human resources consulting services – one of the two SaskCentral business lines outsourced in 2014. The other business line, promotional materials, was assumed by Alberta Central, which ensures continued credit union access to those products.

SaskCentral was a signatory to an MOU that included Central 1 and Concentra Financial. The purpose of this agreement was to announce an understanding of the three organizations to explore consolidation of wholesale services.

Continued

SaskCentral Initiatives

2014 Balanced Scorecard Results

Quality Measurement Survey – measures credit union satisfaction across a range of SaskCentral activities and services.

- Target: 80-85%
- Result: 85%

Responsiveness to Client Needs – measures the extent to which SaskCentral has responded to the needs of credit unions.

- Target: 73-77%
- Result: 73%

Internal Business Processes

This focus area is comprised of activities centred on maintaining the efficiency and effectiveness of SaskCentral's operations.

Stakeholder Engagement Review

This strategy examined the governance structure of the credit union system, including both elected officials and management. The goal was to ensure the democratic processes at the heart of our co-operative financial system are optimally structured for our current and emerging business environment.

Amendments to SaskCentral bylaws brought in at its annual meeting were approved and work continues on streamlining processes for engaging credit union management and boards of directors. In December, SaskCentral's board approved a change in the size of the board to eight persons, down from the previous thirteen. This change will become effective in 2015.

2014 Balanced Scorecard Results

Core Earnings – measures the extent to which SaskCentral has strengthened its business model efficiency.

- Target: $4M-$5M
- Result: $6.2M

Internal Client Satisfaction – measures the support provided by other SaskCentral teams to those who have external/credit union focus.

- Target: 80-85%
- Result: 85%

People

The People area of the balanced scorecard focuses on maintaining an engaged workforce committed to providing excellent and timely service to Saskatchewan credit unions.

In 2014, significant attention was given to developing SaskCentral's leadership. This has taken on increasing importance with the evolution of SaskCentral's business model, posing the challenge of having to do more with less while also keeping SaskCentral's workforce motivated and engaged. Work was begun in the areas of inspirational leadership and exemplifying positive behaviours, and will continue in 2015.

A major review of employee benefits was also carried out. The objective was to ensure SaskCentral remains an employer of choice, with competitive benefits that contribute to an engaged workforce while simultaneously aligning with SaskCentral's business plan and efficiency targets.

Employee Engagement Survey – measures success in maintaining a workforce that is engaged in delivering an exceptional credit union experience.

- Target: 80-85%
- Result: 82%

Co-operative Social Responsibility

SaskCentral practices Co-operative Social Responsibility (CSR) in several ways. Most apparent are the environmental objectives, since these are quantifiable and measuring them is relatively straightforward. They cover areas such as company usage of paper, water and energy; waste reduction; emissions and environmental management. Employees are encouraged to exercise environmental responsibility. Communication around this occurs in conjunction with SaskCentral's CSR tagline, *It All Adds Up*. Third-party recognition of the environmental status of SaskCentral's building is given through the BOMA BESt® certification.

Societal objectives form part of CSR. Measureable targets have also been selected in this area, covering activities such as the level of volunteerism by SaskCentral employees. Economy is the usual third leg of CSR, as outlined by international CSR standards. In support of this, SaskCentral has assisted a number of co-operative start-ups with financial contributions over the years.

Charitable donations and sponsorships for 2014, including keystone events such as the Credit Union Queen City Marathon, were budgeted at a total of $100,000. In addition to this, each SaskCentral employee annually is allowed to name a charity or non-profit organization of their choice to receive a donation of $200.

SaskCentral's CSR commitment also extends to behaviour by employees, management, board and delegates, as outlined in SaskCentral's code of conduct. For example, the code outlines expectations in regard to honesty, transparency, communication, privacy, non-discrimination or harassment, social and environmental responsibility and individual ethics. Expectations are also presented in regard to behaviour by suppliers.

CSR environmental, social and economic targets are refreshed annually and form part of SaskCentral's overall planning process.

2014 CSR Targets and Results

In 2014 SaskCentral implemented a new three-year CSR strategy. The strategy links to SaskCentral's corporate values and business plan, and more importantly, aligns with the plans and priorities of its key stakeholders – credit unions, employees and the community.

Credit Unions

Stakeholder engagement is a key component of CSR. SaskCentral believes in engaging with credit unions, listening to their concerns and responding to these concerns by providing the best total solution.

In 2014 SaskCentral focused its CSR efforts on initiatives that provide value for credit unions by reducing operational cost.

Paper Consumption

Target – Maintain or reduce new paper consumption based on the 2013 benchmark.

Results – Achieved an 18% reduction in new paper consumption. This takes into account use of paper with 30% recycled content.

Greenhouse Gas Emissions

Target – Reduce mileage by 5% based on the 2013 benchmark.

Results – Achieved a 9% reduction in company mileage.

SaskCentral continues to encourage employees to use video-conferencing and webinars for meetings or training and to carpool to corporate meetings, whenever possible.

Employees

SaskCentral engages employees to get their input on our CSR initiatives. The objective is to offer employees CSR programs or environmental solutions that are valuable and make them proud to work for SaskCentral.

In 2014 the focus was on the following CSR initiatives.

Volunteerism

Target – Achieve 50% of employees volunteering in the community and using 30% of the available volunteer hours. (SaskCentral allows employees to use up to 22.5 hours per year of work time to volunteer.) Issue 5 volunteer grants.

Results – 53% of employees volunteered and used 23% (448) of the available hours.

Employees that volunteer a minimum of 40 hours with a charity or non-profit organization can request that a $250 grant be given to that organization on their behalf. In 2014 the following organizations received a grant: Regina Community Clinic, Children's Wish Foundation and Regina Heat Lacrosse.

BOMA BESt – Building Certification

BOMA BESt is the Canadian industry standard for commercial building sustainability certification, which is based on the internationally recognized and accepted Green Globes™ environmental assessment platform.

Target – Maintain SaskCentral's level 2 certification or increase it to level 3 when reapplying for BOMA BESt.

Results – In November 2014 SaskCentral was awarded a level 3 BOMA BESt certification. Some things that helped the organization achieve a BOMA BESt level 3:

- Variable speed control on ventilation fans
- New windows and weather stripping on doors
- Temperature controlled timers on outdoor parking stalls
- Low flow faucets and toilets
- Energy efficient light bulbs

Going forward, SaskCentral plans to maintain its energy and environmental performance through better building management.

Community

As a co-operative, we believe it is important to give back to the community where we live and work. In 2014 SaskCentral donated $157,500 to local charities and non-profit organizations. This amount included financial contributions, volunteer hours and in-kind donations.

In 2014 SaskCentral also launched the Building Communities Grant program which allows each SaskCentral employee to name a charity or non-profit organization of their choice to receive a donation of $200. In its inaugural year, 77 per cent of employees took advantage of the program. A total of $13,600 was distributed among the following community organizations:

- ALS Society
- Canadian Cancer Society
- Children's Hospital Foundation
- Children's Wish Foundation
- Chris Knox Foundation
- Grow Regina
- Heart & Stroke Foundation
- Hope's Home
- Hospitals of Regina Foundation
- Kelvington & District Health Care Facility
- Neonatal Intensive Care Unit
- Parkland Therapeutic Riding Association

Continued

Co-operative Social Responsibility

- Prairie Dragons Paddling Club – Outta Sight Team
- Regina Atom AA Blues
- Regina Community Clinic
- Regina Humane Society
- Regina Open Door Society
- Regina Palliative Care
- Regina Sexual Assault Centre
- Saskatchewan Team Handball Federation
- South Saskatchewan Cystic Fibrosis
- STARS Air Ambulance
- Strasbourg Recreation Centre
- Teddy Bears Anonymous
- Wascana Centre Authority

It all adds up.

SaskCentral conducts CSR activities under its own It All Adds Up logo, keeping front and centre the idea that even small initiatives can have an impact in making the world a better place.

Sponsorships Managed by SaskCentral

Each Saskatchewan credit union is an independent financial co-operative that supports important community events and initiatives through its local community relations program.

In 2013* Saskatchewan credit unions contributed more than $6.2 million to growing communities. Fundraising efforts brought in almost $300,000 for causes like the Children's Hospital Foundation of Saskatchewan, Red Cross Disaster Relief, Terry Fox Run and Telemiracle, and credit union employees logged nearly 35,000 hours of volunteer time for community organizations.

SaskCentral, as the trade association for Saskatchewan credit unions, manages a number of sponsorships that credit unions support collectively. The approach to these local and provincial sponsorships reflects a commitment to helping Saskatchewan communities thrive in ways that make a genuine contribution to building lives and fulfilling dreams.

Sponsorships in 2014 included:

Community

- Children's Wish Foundation
- United Way

Economic Development

- Canadian Western Agribition
- Western Canadian Crop Production Show
- Western Canadian Farm Progress Show

Education

- Canadian Red Cross Day of Pink
- Ignite Adult Learning Corporation
- Junior Achievement
- Saskatchewan Co-operative Association Youth Camps

Health and Wellness

- Canadian Blood Services

Sports

- Credit Union Queen City Marathon
- Credit Union Eventplex
- Saskatchewan High Schools Athletic Association

*Most recent year for which figures are available.

Government Relations

Government Relations

SaskCentral's advocacy strategies and government relations continue to rank as top priorities for the Saskatchewan credit union system. Shaping legislation, regulations and policy at the provincial and federal levels of government in the interests of Saskatchewan credit unions is a key component of our trade association mandate.

Provincial Government Engagement Strategy

Provincial Taxation for Credit Unions

Faced with the potential elimination of a provincial tax credit for credit unions at an estimated cost of $7.6 million a year, SaskCentral executed an extensive grassroots engagement strategy and Saskatchewan credit unions responded. The credit union system reached out to members of the legislative assembly and cabinet and advised them that changes to the provincial taxation for credit unions would leave credit unions paying a disproportionately higher rate than banks. SaskCentral also engaged Abacus Data to gauge public opinion on the issue. Survey results confirmed that 82 per cent of Saskatchewan residents agreed that Saskatchewan credit unions play an important role in the economy and 78 per cent agreed that credit unions and banks should be treated fairly to reflect their differences when it comes to government policy.

The provincial government affirmed the important role credit unions play in Saskatchewan's economy with its decision to retain current provincial tax provisions for credit unions. While thankful for the Saskatchewan government's decision, the matter highlighted the need for ongoing awareness of the credit union difference in financial services in Saskatchewan.

Ongoing Provincial Advocacy Strategies

The 2014 provincial government engagement package, titled *The Way Forward*, was distributed to the credit union system in the fall. The package provided an overview of the socio-economic contributions of credit unions with over $6.2 million in community giving, and described ways Saskatchewan credit unions support the growth of the provincial economy by providing financial services to 50 per cent of the small and medium sized businesses. SaskCentral also hosted an MLA reception at the legislature in November to create an opportunity for credit union representatives to discuss priorities with their elected representatives and cabinet ministers.

SaskCentral officials supported advocacy initiatives for a range of emerging policy and legislative issues affecting credit unions. Throughout 2014, SaskCentral made representations to cabinet ministers and senior government officials in the ministries of Justice, Finance, Economy, Agriculture, Environment, Social Services and the Crown Investments Corporation. SaskCentral asserted credit union positions regarding taxation; red tape reduction; the grain transportation backlog; amendments to the *Saskatchewan Election Act*; the proposed multi-material recycling program; social impact projects; and transitional measures for new regulatory developments to clearing and liquidity structures.

Continued

Government Relations

Support for Federal Advocacy Initiatives

Capital Growth Tax Credit

Our organization worked to promote CUCC's proposed new tax credit for credit unions, called the Capital Growth Tax Credit. The proposed tax credit is based on the difference in year over year of retained earnings, multiplied by five per cent and then deducting the resulting amount from taxes owing.

The *My Credit Union Matters* campaign encouraged support of this new capital growth tax credit proposal. Nine advocates from Saskatchewan, including SaskCentral, participated in meetings with members of Parliament in Ottawa in October to advocate for the proposal. Saskatchewan credit unions also mobilized to send messages to the federal finance minister. At year-end, nearly one-third of the 5,400 campaign emails had originated in Saskatchewan. In December, the House of Commons Finance Committee's pre-budget report noted the Capital Growth Tax Credit proposal.

Canadian Agricultural Loans Act Program

The federal Department of Agriculture and Agri-food Canada continued their evaluation of the *Canadian Agriculture Loans Act* (CALA) program. Through CUCC's Legislative Affairs Committee, SaskCentral made a submission to consider several measures credit unions had identified to improve the program. The minister of agriculture is considering renewal of the program in 2015.

Farm Credit Canada (FCC) Liaison Committee

Along with representatives from credit unions, as well as from FCC, SaskCentral continued to participate in the FCC Liaison Committee. The committee has recorded progress in identifying opportunities for collaboration and information sharing.

Strategic Partners

SaskCentral maintains business arrangements with, and investment in, a number of co-operative financial service organizations. These relationships provide Saskatchewan credit unions with required services and also enable SaskCentral to achieve efficiencies by dealing with key service suppliers on behalf of the entire Saskatchewan credit union system.

Concentra Financial

Share ownership by SaskCentral: 84.3%

Concentra Financial is Canada's only financial retail association, a co-operative, providing financial and trust solutions to over 300 Canadian credit unions. Concentra is owned by its members who include credit unions, provincial credit union centrals and other financial co-operatives. Concentra Trust is a wholly owned subsidiary of Concentra Financial and provides trust services to credit unions across Canada.

Credit Union Payment Services (CUPS)

Joint venture participation by SaskCentral: 50%

CUPS is a joint venture of SaskCentral and Alberta Central. It provides payment services and related products to credit unions, corporate clients and others in the financial services industry.

Celero Solutions

Share ownership by SaskCentral: 31.4%

Celero Solutions is a joint venture between four Canadian prairie co-operative organizations: Alberta Central, Manitoba Central, Concentra Financial and SaskCentral. Celero delivers reliable, innovative and cost-effective information technology solutions to the joint venture partners and credit unions in the areas of switching, telecommunications and banking.

Group Clearing Joint Venture

Joint venture participation by SaskCentral: 16.7%

Arising from inter-central discussions initiated in 2010, Group Clearing is a joint venture of SaskCentral, Central 1, Alberta Central and Manitoba Central that replaces the clearing previously performed by Canadian Central. The joint venture's purpose is to govern and operate the clearing function for credit unions across the country.

Continued
Strategic Partners

Credit Union Central of Canada (CUCC)

Share ownership by SaskCentral: 12.2%

CUCC is the national trade association for the Canadian credit union system. Incorporated, in 1953, by a special act of Parliament, and regulated under the *Cooperative Credit Associations Act (Canada)*, CUCC provides a national forum, a national voice and national services to support and expand the Canadian credit union system.

Credential Financial Inc.

Share ownership by SaskCentral: 8.2%

Credential Financial Inc. is the national wealth management provider founded by the Canadian credit union system. The company offers credit unions and independent investment firms an integrated range of products and services to meet the financial needs of Canadians. Credential Financial Inc. also provides its partners with a full complement of back-office administration and in-branch support.

Northwest & Ethical Investments LP (NEI)

Share ownership by SaskCentral: 8.2%

NEI is a mutual fund company that makes independent portfolio managers accessible to Canadian retail investors through two fund families: Northwest Funds and Ethical Funds.

NEI is a fully Canadian-owned company, owned 50% by Desjardins Group and 50% by the provincial credit union centrals. This backing of experience and support provides the company with stability and the resources to actively pursue business growth through credit unions and independent financial advisors across Canada.

The Co-operators Group Limited

Share ownership by SaskCentral: 3.5%

The Co-operators is a 100% Canadian-owned and operated company insuring over two million people Canada-wide. Its member-owners are co-operatives, credit unions and like-minded organizations, representing a variety of sectors and regions across the country. The Co-operators supports and funds the development of community-oriented co-operatives and social enterprises, and works to contribute to communities across Canada.

Along with Central 1, The Co-operators holds joint ownership of CUMIS. CUMIS partners with credit unions to deliver competitive insurance and financial solutions. CUMIS' principal companies are CUMIS Life Insurance Company and CUMIS General Insurance Company.

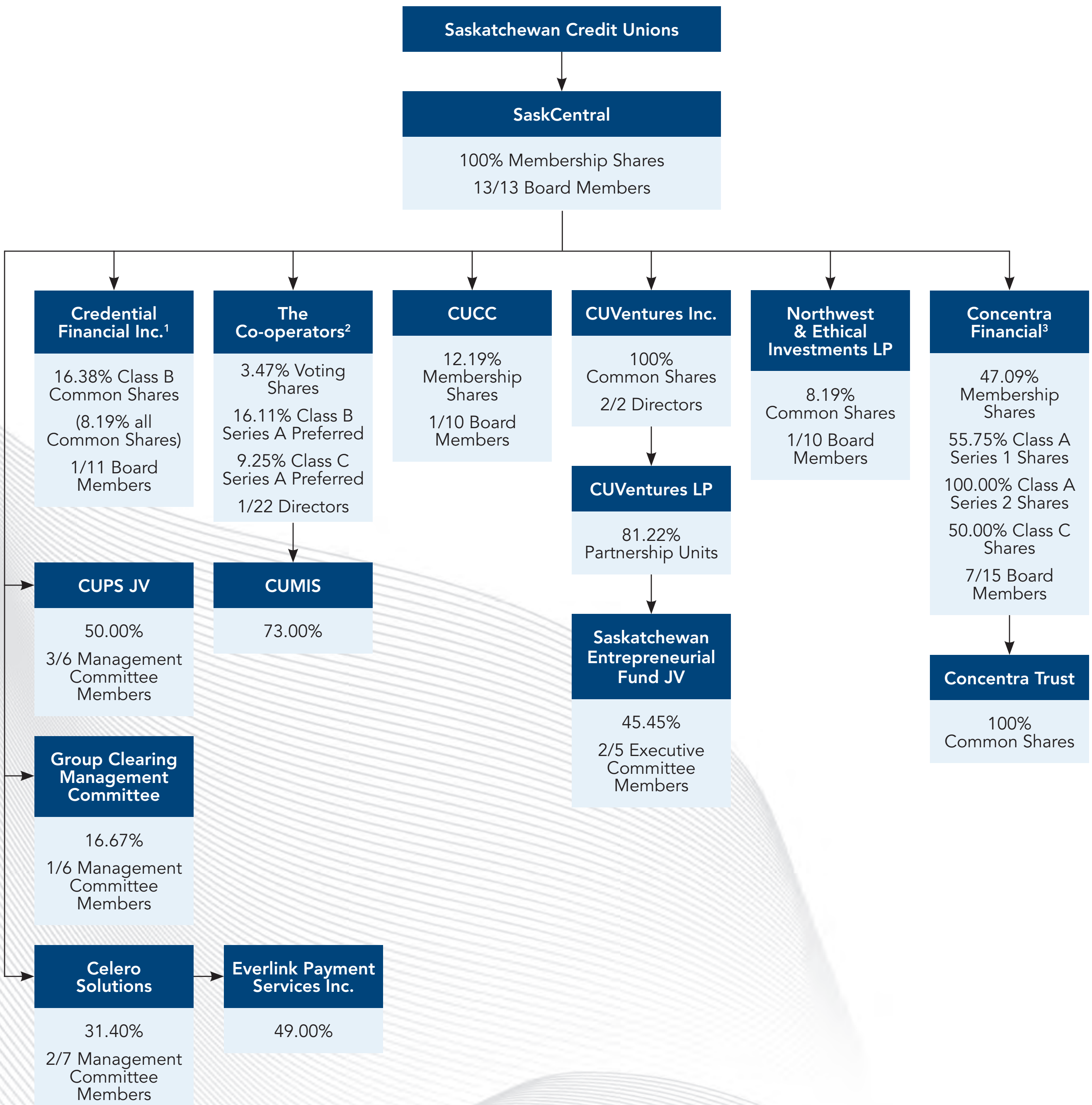
CUVentures Inc.

Share ownership by SaskCentral: 100%

CUVentures Inc. invests in the Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). SEF JV provides direct investment in small and medium sized enterprises throughout Saskatchewan. CUVentures Inc. also acts as an aggregation vehicle through which individual credit unions have invested in the APEX Investment LP.

Investment and Governance

as of December 31, 2014



1 SaskCentral has defacto representation through Alberta Central's board representative.
2 Director represents all Saskatchewan member-owners.
3 Board members represent the Saskatchewan region.

Management Discussion and Analysis

This section of the annual report, providing management's discussion and analysis (MD&A) of the consolidated results of SaskCentral, should be read in conjunction with the audited consolidated financial statements and notes as at and for the year ended December 31, 2014. The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is dated February 25, 2015 and provides comments regarding SaskCentral's financial and operating results, risk management, capital management and business outlook.

Caution Regarding Forward-Looking Statements

From time to time, SaskCentral makes written and verbal forward-looking statements. Statements of this type are included in reports to Saskatchewan credit union shareholders, the annual report, and may be included in filings with Canadian regulators in other communications. Forward-looking statements include, but are not limited to, statements about SaskCentral's objectives and strategies, targeted and expected financial results and the outlook for SaskCentral's business or for the Canadian economy.

By their very nature, forward-looking statements involve numerous assumptions. A variety of factors, many of which are beyond SaskCentral's control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, changes in economic and political conditions, legislative and regulatory developments, legal developments, the accuracy of and completeness of information SaskCentral receives from counterparties, the ability to attract and retain key personnel and management's ability to anticipate and manage the risks associated with these factors. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. SaskCentral does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf.

Company Profile

SaskCentral is a financial services co-operative which provides liquidity management, consulting services, research and support to Saskatchewan credit unions. SaskCentral functions as a trade association on behalf of the province's credit unions to provide a unified voice in matters of common interest. The primary services provided to credit unions by SaskCentral are:

- to facilitate clearing and settlement through the Bank of Canada;
- to provide financial products and services that support daily cash flow management at credit unions;

- to provide emergency liquidity funding and centralized coordination in the event of a liquidity crisis;
- to offer consulting services that provide innovative solutions to help credit unions strengthen their competitive positioning;
- to offer democratic governance support to ensure efficient and effective co-operative governance;
- to provide advocacy services, representing Saskatchewan credit unions with the provincial and federal governments and within the Canadian credit union system;
- to conduct strategic market research and assist credit unions in developing and leading system-wide initiatives in response to emerging trends; and
- to provide strategic investment management through continual development of joint products and services that assist credit unions in serving their members.

SaskCentral's Role in Liquidity Support

SaskCentral manages system-wide liquidity on behalf of Saskatchewan credit unions directly and through investees. Through aggregating statutory liquidity deposits, SaskCentral facilitates clearing and settlement, supports daily cash flow management and coordinates emergency liquidity support.

Clearing and Settlement

The movement of funds between financial institutions is known as clearing and settlement. This process occurs daily at three levels – the credit union level, the provincial level and the national level. CUPS manages the daily clearing and settlement operations for credit unions. Settlement operations include processing of paper-based deposits and clearings, cheque and document imaging, and electronic services such as automated funds transfers and wire transfers. Daily balances are cleared through SaskCentral, the net Saskatchewan cash flow is aggregated with other provinces and the Canadian net amount is settled with the Bank of Canada.

At the national level, the Canadian Payments Association sets the requirements for accessing the Bank of Canada and outlines roles and responsibilities. Credit union centrals are represented by one central which acts as the Group Clearer. Central 1 is the Group Clearer. A Group Clearing Joint Venture oversees the functioning of the Group Clearer and consists of representatives from Central 1, Alberta Central, SaskCentral and Credit Union Central of Manitoba. Through the Joint Venture, credit unions access the Large Value Transfer System for electronic payments and the Automated Clearing and Settlement System for paper based payments. Centrals pledge collateral to the Bank of Canada and in return the Bank of Canada issues a current account and a line of credit to facilitate the flow of funds to or from financial institutions.

Daily Cash Flow Management

SaskCentral offers several products and services to help credit unions manage daily cash flow requirements, including statutory liquidity deposits, an overnight account, a line of credit, alternate funding sources, and foreign exchange services.

By regulation, credit unions hold 10% of their deposits with SaskCentral. These are known as statutory liquidity deposits. Credit unions select from a variety of term options and interest options, including five fixed term options from one to five years, and a variable rate option. Credit unions can invest up to 35% of their statutory deposits in the four and five year products.

In recent years, SaskCentral has adopted a low profit business model. This means that pricing of products and services is just sufficient to cover operating costs. Statutory liquidity deposit pricing reflects the low profit business model. Deposits are priced so that SaskCentral's interest margin is sufficient to cover the costs of financial administration and regulation.

SaskCentral maximizes deposit rates for credit unions by seeking the best returns on investments backing deposits. This is achieved through accessing wholesale institutional markets and avoiding brokerage fees. SaskCentral has access to wholesale institutional investments due to the large volumes that result from aggregation of statutory liquidity.

SaskCentral provides credit unions a line of credit for normal liquidity needs, bridge financing for unexpected liquidity requirements, and foreign exchange services. In addition, credit unions may access commercial paper markets by leveraging SaskCentral's commercial paper program. SaskCentral's commercial paper program is supported by SaskCentral's investment grade rating of R1-low with DBRS.

SaskCentral funds these products and services by using three funding tools. Repurchase agreements allow SaskCentral to generate cash by selling securities to major Canadian banks with the agreement to repurchase within days. The commercial paper program allows SaskCentral to issue short-term securities to generate cash. Finally, SaskCentral has a secured line of credit with a major Canadian bank.

Emergency Liquidity Support

SaskCentral provides funding and centralized coordination on an emergency basis. This includes identification of triggers, roles and responsibilities and communication protocols.

Emergency funding is both sufficient and available. Sufficiency is demonstrated through stress testing whereby potential credit union outflows are evaluated against funding sources. In normal times, funding sources include repurchase agreements, the commercial paper program and a secured line of credit. In an emergency, these sources are augmented by SaskCentral's stock of High Quality Liquid Assets (HQLA) and the Inter-Central Liquidity Agreement (ICLA). The ICLA is a lending syndicate between Central 1, Alberta Central, SaskCentral, and Credit Union Central of Manitoba. Each central provides an uncommitted line of credit that may be used by any of the centrals in the event of a liquidity crisis. SaskCentral may access up to $400 million. In accordance with the ICLA, each central is required to maintain 6% of their provincial system assets in eligible investments.

Availability of emergency funding is evaluated by examining the underlying characteristics of HQLA. Fundamental characteristics include credit standing, degree of subordination and duration risk. Market-related characteristics include market breadth, market depth, price volatility and flight to quality. Operational characteristics include freedom from encumbrances, independence from other lines of business and ability of the liquidity manager to control HQLA.

In response to the 2008 financial market disruption, the Basel Committee on Banking Supervision developed international capital and liquidity guidelines commonly known as Basel III. The goal is to promote a more resilient financial sector by improving the ability to absorb shocks. The Office of the Superintendent of Financial Institutions of Canada (OSFI) has issued new Liquidity Adequacy Requirements in May 2014, incorporating Basel III guidelines. SaskCentral adopted a new liquidity metric in 2014, the Liquidity Coverage Ratio, which was modeled after OSFI's guidelines. OSFI's liquidity guidelines do not apply to SaskCentral, however, SaskCentral has incorporated the OSFI principles in the Liquidity Coverage Ratio.

Credit Union Deposit Guarantee Corporation (CUDGC) has signaled their intent to follow OSFI's guidelines. SaskCentral is actively monitoring these developments.

Economic Overview

In 2014, Saskatchewan's economy slowed as crop production fell from the record levels of 2013. The oil and gas sector continued to expand, accounting for nearly 20% of the economic activity in the province. Global demand for potash remained soft.

The labour market in Saskatchewan remains very strong, leading the country for 24 consecutive months, with unemployment levels as low as 3.3%. Regina had the lowest unemployment rate in Canada at 3.4% in 2014 while Saskatoon was second at 4.1%. Over 15,000 new jobs were added in 2014, an increase of 2.8% which was triple the national average.

The overall population continues to increase within Saskatchewan. The province reached a record high of 1.1 million residents, up 1.6% from a year earlier.

The outlook for 2015 remains optimistic as Saskatchewan is expected to benefit from increases in global demand for agricultural resources and non-energy based mining exports. However, the significant decline in global oil prices at the end of 2014 remains a concern, raising questions about the job market, unemployment, and housing prices within western Canada.

Saskatchewan Credit Union System Performance

CUDGC is the primary regulator for Saskatchewan credit unions. The information provided in the following sections is compiled by CUDGC and is taken from their report 'Saskatchewan Credit Unions Quarterly Highlights'.

Credit unions operate within a comprehensive regulatory framework to ensure depositors' funds are fully guaranteed and completely secure. The corporation establishes standards of sound business practice that are aligned with federal and international regulatory approaches, and monitors credit unions to ensure they are operating according to those standards.

For more information, please visit their website: http://www.cudgc.sk.ca.

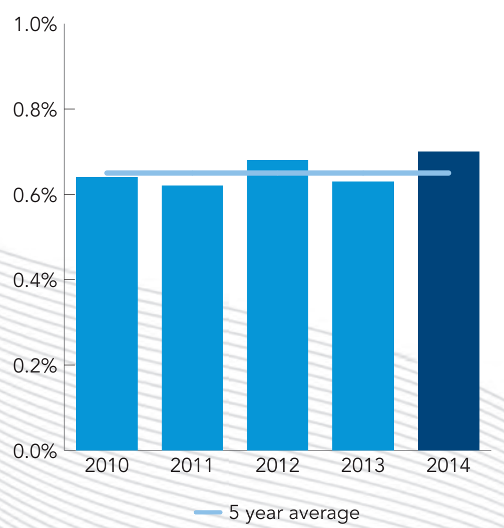
Results Overview

The financial performance of Saskatchewan credit unions is summarized below based on the following key performance indicators: profitability, capital, growth, liquidity risk, credit risk and interest rate risk.

Profitability

In 2014, credit unions reported record high earnings of $132 million for a return on average assets (ROA) of 0.70% (2013 – 0.63%). Credit unions posted record profits due to continued cost containment efforts.

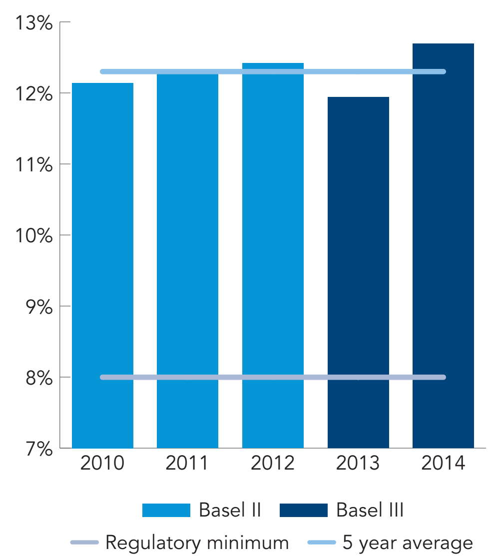
Return On Average Assets



Capital

Capital reached a new high under the Basel III framework. As a percentage of risk-weighted assets, eligible capital increased to 12.69% from 11.94% in 2013. This was due to strong profitability, as well as the issuance of subordinated debt. Credit union capital is well above the current regulatory minimum of 8.0% and the future regulatory minimum of 10.5%. The future requirement incorporates a 2.5% conservation buffer and is effective in 2016.

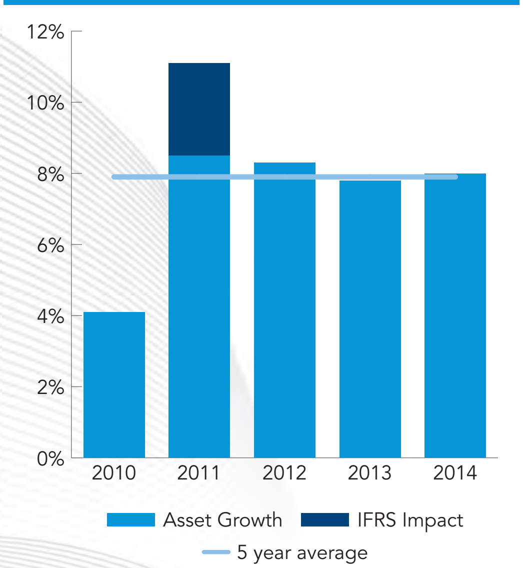
Basel II and Basel III Total Eligible Capital
(% RWA)



Growth

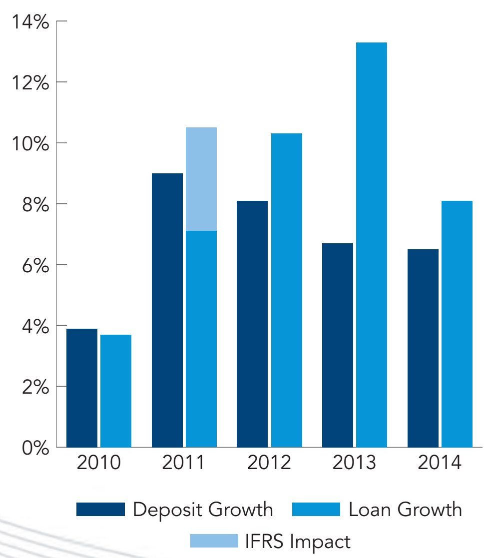
Assets grew by 8.0% to $19.7 billion, slightly ahead of the five year average of 7.9%.

Asset Growth



After three consecutive years of growth above 10%, loans grew 8.1% to $15.8 billion. Deposit growth decreased slightly from 2013 to 6.5%, the lowest it has been since 2010.

Deposit/Loan Growth



Liquidity Risk

Liquidity risk stabilized in 2014 after increasing in each of the past few years. This can be attributed mainly to slower loan growth.

Credit Risk

Delinquencies in 2014 were 0.26% (2013 – 0.35%), which were well below the five year average of 0.60% and have remained at historical lows. The composition of the loan portfolio has not changed significantly in recent years, with residential mortgages continuing to comprise the largest portion overall.

Interest Rate Risk

Interest rate risk decreased compared to 2013 and remains somewhat above the five year average. For a 1% increase in interest rates, the net market value change to assets increased slightly to -0.53% (-0.52% in 2013) and continues to remain within an acceptable range.

Statistical Review of Credit Unions

	2010	2011	2012	2013	**2014**
Credit Unions	64	61	60	53	**51**
Service Outlets	304	302	299	285	**283**
Employees	3,548	3,516	3,479	3,467	**3,469**

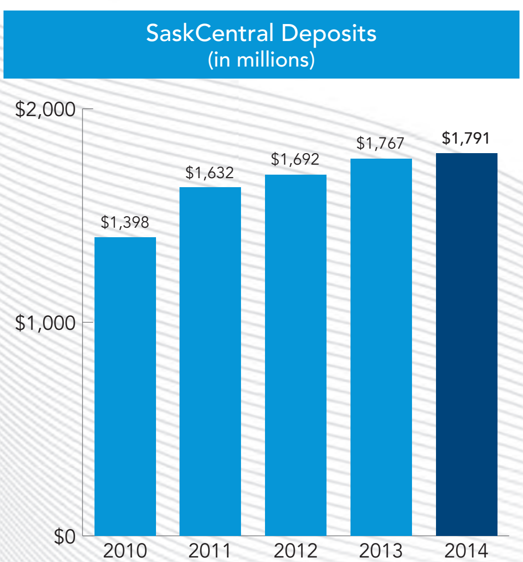
2014 SaskCentral Consolidated Financial Performance

Results Overview

SaskCentral's consolidated financial performance includes results from subsidiaries, associates and joint operations. The financial performance and stability of SaskCentral is summarized according to the following categories: growth, profitability, liquidity, and return on equity (ROE).

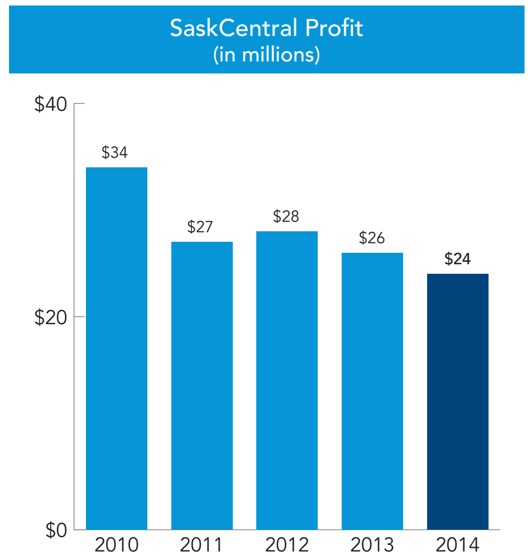
Growth

Deposits increased slightly. At $1,701 million (2013 – $1,612 million), statutory liquidity deposits comprise the majority of deposits and have increased 5.5% over prior year (2013 – 6.7%).



Profitability

SaskCentral's profit was $23.6 million (2013 – $26.1 million).



Net interest income decreased slightly to $10.9 million (2013 – $11.2 million). SaskCentral's portion of net interest income increased, while income from specific strategic partners decreased.

Income from dues was $6.0 million (2013 – $6.4 million). Cost savings in SaskCentral operations and in special assessments allowed SaskCentral to lower dues in 2014.

Fee for service revenue increased to $23.7 million (2013 – $22.4 million) due to higher foreign exchange revenue and increased sales for discretionary products and services provided to credit unions.

Gains on financial instruments arise from asset backed commercial paper and from portfolio repositioning for asset/liability management purposes. Gains decreased to $2.0 million (2013 – $2.5 million) as the prior year results include a one-time settlement related to asset backed commercial paper of $0.7 million.

The share of profits of associates represents SaskCentral's share of net income from Concentra Financial, Celero Solutions, and Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). The share of profits in associates was $21.1 million (2013 – $24.0 million). The decrease was due to lower net income from Concentra Financial resulting from the continued low interest rate environment.

SaskCentral's share of Celero Solutions' net income was $1.0 million (2013 – $0.1 million). Higher net earnings were driven by Celero Solutions' management's efforts to control costs commensurate with revenue generation and improvement of supplier agreements.

Non-interest expenses represent expenditures incurred to fund dues-related products and generate fee for service revenue, as well as general operating expenses such as salary and employee benefits and occupancy costs. Non-interest expenses increased slightly to $34.7 million (2013 – $34.4 million).

SaskCentral paid a dividend to credit unions in March 2014 of $3.3 million (2013 – $2.6 million), representing a 2.5% (2013 – 2.0%) return on investment. SaskCentral also paid to credit unions the dividend received from Concentra Financial of $3.4 million (2013 – $5.6 million) in November. This dividend represented a 3.0% return on SaskCentral's investment in Concentra Financial (2013 – 5.0%).

Liquidity

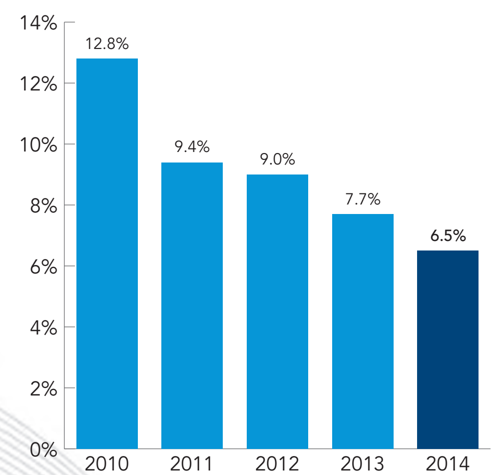
SaskCentral continued to hold a strong liquidity position in 2014. Consolidated cash and securities totalled $2.0 billion, or 87% of assets (2013 – 86%).

Return on Equity

Equity increased by $22.8 million over 2013. Another year of strong earnings resulted in an increase in retained earnings of $18.8 million.

For 2014, SaskCentral's ROE was 6.5% (2013 – 7.7%).

SaskCentral Return on Equity



Liquidity Management

SaskCentral manages liquidity by evaluating regulatory developments, monitoring liquidity risks, evaluating liquidity sufficiency and providing leadership on emergency liquidity processes.

Two measures are used to monitor SaskCentral's liquidity risk position. First, a liquidity coverage ratio compares liquid assets to potential outflows on a system-wide basis. Second, a liquidity score is calculated on SaskCentral's investment portfolio. Both measures are used to assess SaskCentral's liquidity position and all policy requirements have been met in 2014. Refer to Note 3 for further information.

Capital Management

Capital management consists of maintaining the capital required to cover risks and comply with the regulatory capital ratios defined by OSFI. Policies are developed to set out the principles and practices SaskCentral incorporates into its capital management strategy. These policies also set out the basic criteria SaskCentral adopts to ensure that it has sufficient capital at all times and prudently manages such capital in view of its future capital requirements.

Capital Objectives

SaskCentral actively manages capital to ensure long-term financial stability, balancing the credit unions' desire for return on their investments with the capital requirements necessary to support liquidity functions and maintain an investment-grade credit rating. Capital plans analyze the different strategies that are available to SaskCentral to optimize capital. Specifically, the purpose of capital planning is to ensure SaskCentral has adequate capital to:

- meet regulatory and operational requirements;
- provide flexibility for changes in business plans;
- signal financial strength to stakeholders; and
- provide dividend options.

Regulatory Capital and Capital Ratios

Capital levels are regulated pursuant to guidelines issued by OSFI. Regulatory capital is allocated to two tiers. Tier 1 capital comprises the highest quality capital and is a core measure of SaskCentral's financial strength. It consists of more permanent components of capital, is free of mandatory fixed charges against earnings and has a subordinate legal position to the rights of depositors and other creditors. SaskCentral's Tier 1 capital is comprised of credit union membership shares and retained earnings. Tier 2 capital includes supplementary capital instruments that contribute to the overall strength of SaskCentral as a going concern but fall short of meeting the Tier 1 requirements. SaskCentral's Tier 2 capital consists of subordinated debt issued to member credit unions. SaskCentral's subordinated debt was redeemed in January 2014. Total capital is defined as the sum of Tier 1 and Tier 2 capital. For further details on the terms and conditions of the various capital components, refer to Note 5 in the consolidated financial statements.

Regulatory capital is adjusted for investments in unconsolidated subsidiaries. The investment in Concentra Financial (net of accumulated other comprehensive income) and Celero Solutions is deducted from SaskCentral's capital. This allows OSFI to monitor the capital strength of SaskCentral's stand-alone operations. Concentra Financial is a regulated financial institution – it reports separately to and is regulated directly by OSFI.

Borrowing Multiple

Regulatory capital adequacy is measured by OSFI through the borrowing multiple. The borrowing multiple is calculated by dividing total borrowings by Tier 1 and Tier 2 regulatory capital. Total borrowings consist of deposits, loans payable, notes payable, and other adjustments. OSFI sets a limit of 20.0:1 that the borrowing multiple must not exceed. SaskCentral has set its own maximums that are below that of OSFI. (The Financial Management Policy replaced the Balance Sheet Management Policy and the Balance Sheet Operating Policy effective July 1, 2014.) The Financial Management Policy sets a limit of 17.0:1, at which point the board must take immediate mitigating action to make certain the borrowing multiple does not exceed OSFI's limit. The Financial Management Policy also describes a management limit of 14.0:1, at which point management will outline actions to assuage the situation. As of December 31, 2014, the borrowing multiple was 12.8:1 (2013 – 12.4:1).

Regulatory Capital and Ratios

	2014	2013
Tier 1 Capital	**368,342**	346,366
Total Borrowing Multiple Capital	**146,083**	151,993
Total Borrowings	**1,863,363**	1,889,568
Actual Borrowing Multiple	**12.8:1**	12.4:1
SaskCentral Policy Limit	**17.0:1**	17.0:1
Tier 1 Regulatory Capital		
Membership shares	**135,581**	132,385
Retained earnings	**236,632**	217,852
IFRS related reclassification[1]	**(3,871)**	(3,871)
Total Tier 1 Capital	**368,342**	346,366
Tier 2 Regulatory Capital		
Subordinated debt	**–**	12,000
IFRS related reclassification[1]	**3,871**	3,871
Total Tier 2 Capital	**3,871**	15,871
Total Tier 1 and Tier 2 Capital	**372,213**	362,237
Deduct:		
Investments in unconsolidated subsidiaries	**225,425**	208,289
Assets of little or no realizable value	**705**	1,955
Total Tier 1 and Tier 2 Capital	**146,083**	151,993

[1] Accumulated net after-tax fair value gain on investment property is reclassified to Tier 2.

Capital Management

SaskCentral's borrowing multiple is expected to increase due to system growth. SaskCentral's capital plan evaluates projected capital adequacy and considers capital options, including membership share true-up and organic growth of retained earnings.

SaskCentral's bylaws require member credit unions to maintain membership share capital in SaskCentral at 1% of the previous year's system assets. The bylaw gives SaskCentral the discretion to make this annual true-up in whole or in part. It does not prohibit or prevent either a request from SaskCentral for a voluntary share subscription or a credit union from voluntarily subscribing to additional membership share capital. In 2014 credit unions voluntarily subscribed to $3.2 million in additional membership share capital.

SaskCentral would not exercise the authority to require membership share capital subscriptions unless its capital plan indicated a projected borrowing multiple in excess of 15.0:1 in the subsequent year. In that case, SaskCentral would only exercise this authority to the extent that the required subscriptions would bring the projected borrowing multiple to 15.0:1 or to 1.0% of system assets, whichever was first met. At December 31, 2014 credit union membership share capital represented 0.74% of prior year's (0.69% of current year's) system assets.

SaskCentral remains well capitalized and able to support a strong, growing credit union system. Based on the projected borrowing multiple at the end of 2015, SaskCentral would be able to withstand additional capital shocks of $20 million before reaching the board policy limit of 17.0:1.

Capital Requirements

The primary purpose of capital is to support clearing and settlement, daily cash flow management and emergency liquidity support. Regulatory limits are established to ensure sufficiency of capital for these purposes.

Uses of Capital

Capital is directed to strategic investments that provide products and services to assist credit unions in servicing their members. These investments include Concentra Financial, Celero Solutions, CUPS, NEI, Credential Financial Inc., The Co-operators, CUCC and CUVentures Inc.

Excess capital is returned to the credit unions as a dividend. SaskCentral's dividend policy provides a market rate based return to credit unions, subject to profitability and board approval. In 2014, a dividend of $3.3 million was paid based on SaskCentral's 2013 eligible earnings. In addition, Concentra Financial paid a $3.4 million Class A share dividend to SaskCentral on 2013 earnings (2013 – $5.6 million). This dividend represented a 3% return on SaskCentral's investment in Concentra Financial (2013 – 5.0%).

Future Capital Environment

SaskCentral continues to closely monitor developments in domestic and international regulatory environments to assess the impact on our current and future capital position, and will revise our capital management strategies to reflect any changes.

Risk Management

Enterprise Risk Management (ERM) is designed to identify potential events and risks that may significantly affect SaskCentral's ability to achieve its statutory and strategic goals and objectives. The goal of ERM at SaskCentral is not to eliminate risk, but rather to ensure that existing and emerging risks are identified and managed within acceptable risk appetites and tolerances.

The risk framework is closely tied with SaskCentral's strategy and is integrated with SaskCentral's strategy map and balanced scorecard. SaskCentral's strategy and its key risks are approved by the SaskCentral board. Effective management of risk strengthens the ability of the organization to achieve its objectives and meet its obligations. Risk-aware decisions, reflected in strategy and action, optimize opportunity and capacity to create profit for stakeholders.

SaskCentral utilizes a strategy map to represent the major business objectives and improvements that are most critical to the organization's success. These objectives are then used as the major risk categories, facilitating more intense scrutiny of critical areas during risk identification.

In 2014, SaskCentral's strategy map included the following objectives:

- Leverage Concentra's national mandate to facilitate other national partnerships
- Address new regulatory developments to clearing and liquidity structures
- Build formal collaboration arrangements with other centrals
- Sustain and invigorate employee engagement and align the culture in support of the strategy
- Consistently deliver a strong value proposition and strengthen responsiveness, resulting in greater loyalty
- Strengthen internal client focus to support a positive credit union experience
- Expand the market focus for consulting nationally
- Maintain financial strength and credit rating
- Maintain effective and efficient operations

Although risks are managed within the balanced scorecard/strategy map approach, all risks are also mapped to the OSFI risk categories of credit, market (interest rate, price and foreign exchange), liquidity, strategic and operational, legal and regulatory. SaskCentral's Financial Management Advisory Committee reviews these risks on a monthly basis.

SaskCentral has a board-approved conflict of interest policy and a code of conduct that must be followed by all employees, directors and delegates. In addition, SaskCentral has a regulatory compliance framework and anti-money laundering/anti-terrorist financing framework.

The regulatory compliance framework and the anti-money laundering/anti-terrorist financing framework each consist of board-approved policy and procedures, which require the appointment of a chief compliance officer/chief anti-money laundering officer to oversee and be responsible for the framework, regular risk assessment and reporting to executive management and the board on legislative and regulatory compliance, and independent review of the framework.

The Financial Management Policy contains policies for capital impairment, annual earnings distribution and the quantity of capital that the organization is required to maintain to comply with regulatory requirements.

As a financial institution, SaskCentral takes on risk to create value for its shareholders. Credit and market risk are undertaken within the risk tolerance levels outlined in the board's policies. These portfolios of risk reflect the organization's competencies and capacities. They are evaluated, managed and priced on the basis of changing business conditions in the competitive environment.

SaskCentral provides centralized coordination of emergency liquidity processes as described in the Liquidity Crisis Management Plan. The plan provides the basis for navigating through a liquidity crisis in a speedy and appropriate manner by outlining triggers, roles and responsibilities and communication protocols. The Liquidity Crisis Management Team is comprised of decision makers from SaskCentral, CUDGC, the affected credit union and Concentra Financial.

Every organization is vulnerable to loss as a result of business disruption or disasters. SaskCentral is responsible for minimizing the impact on the organization including recovering critical functions for clients and protecting employees and tenants. To minimize the potential impact from these types of events, SaskCentral has developed and maintains a comprehensive Business Continuity Plan which includes an Emergency Preparedness Plan, Disaster Recovery Plan and a Business Resumption Plan. Major risks identified as part of the business continuity planning process are considered for inclusion in the corporate risk register if the impact merits it.

2015 Outlook

The following forward-looking information in this section must be read in conjunction with the **Caution Regarding Forward-Looking Statements** *described at the beginning of the MD&A.*

SaskCentral's corporate direction is expressed through two major goal statements: national unification and credit union experience. To achieve a nationally unified and internationally capable co-operative financial network, the organization continues to pursue partnership opportunities that will result in greater scale and aggregation. Credit union experience is how the organization maintains focus for driving continual improvement in the experiences our clients have with SaskCentral.

The business plan is broken down into four separate focus areas:

Credit Union

The goal of the Credit Union focus area is to contribute to credit unions' ability to win in their markets and foster a high degree of client satisfaction. In 2015, SaskCentral will increase ownership participation in Concentra Financial with other centrals or credit unions, achieving a more proportional national distribution. In addition, SaskCentral will increase the minimum Quality Measurement Survey (QMS) peer group performance to 75% and will strengthen Credit Union Responsiveness by 6% over three years.

Financial

As financial institutions continue to be challenged by market conditions, capital constraints and competition, SaskCentral's financial focus will be centered on optimizing liquidity and capital to maintain a position of financial strength. In 2015, SaskCentral will maintain or improve the Return on Assets.

SaskCentral's dividend policy ensures that the projected borrowing multiple at the end of the following calendar year does not exceed 15.0:1. SaskCentral's capacity to pay dividends in the future is dependent on a number of factors, particularly credit union growth. Assuming a 7% growth rate in 2015 and 6% the following year, SaskCentral's borrowing multiple is anticipated to reach the 15.0:1 threshold by the end of 2016.

Internal Business Processes

The focus for Internal Business Processes is to maintain an efficient and high performing business model that enables organizational success. In 2015, strategies under this focus area include ensuring stability of national clearing structures and emergency liquidity options, building formal collaboration arrangements with other centrals, expanding the market focus of consulting services nationally, and strengthening employee focus to support a positive credit union experience.

People

SaskCentral places top priority on employee satisfaction and engagement. Therefore, the focus for the People area is to maintain an engaged workforce with the competencies required to facilitate the achievement of its strategic objectives. SaskCentral's strategy for sustaining employee engagement and cultural alignment is to continue change management and leadership training, redesign the benefits plan, and develop a corporate succession plan.

Accounting Matters

Critical Accounting Estimates and Assumptions

The accompanying consolidated financial statements have been prepared in accordance with IFRS. The significant accounting policies used in the preparation of the financial statements are described in Note 2. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at year end. Certain estimates, including allowances for impairment, fair value of financial instruments and income taxes require management to make subjective or complex judgments. Accordingly, actual results could differ from those estimates. Critical accounting estimates and judgments are described in Note 6.

Accounting Policy Changes

Changes made to our accounting policies during the year are described, along with their impacts and future accounting changes, in Note 2 and Note 36.

Management's Responsibility For Financial Reporting

To the Members of Credit Union Central of Saskatchewan

Management has responsibility for preparing the accompanying consolidated financial statements and ensuring that all information in the annual report is consistent with the consolidated financial 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 consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. The system of internal controls is further supported by Audit Services staff, who regularly review all aspects of SaskCentral's operations. The board of directors and the Audit and Risk Committee are composed entirely of directors who are neither management nor employees of SaskCentral. The Audit and Risk Committee is appointed by the board to review the consolidated financial statements in detail with management and to report to the board prior to their approval of the consolidated financial statements for publication.

The Office of the Superintendent of Financial Institutions Canada reviews the activities of SaskCentral to ensure compliance with the Cooperative Credit Associations Act, to ensure the safety of depositors and members of SaskCentral and to ensure that SaskCentral is in sound financial condition. Their findings are reported directly to management.

External auditors are appointed by the members to audit the consolidated financial statements and report directly to them; their report is presented separately.

Keith Nixon
Chief Executive Officer

Sheri Lucas
Executive Vice-President of Finance / Chief Financial Officer / Chief Risk Officer

February 25, 2015

Audit and Risk Committee Report To The Members

To the Members of Credit Union Central of Saskatchewan

The purpose of the Audit and Risk Committee is to ensure an independent review of SaskCentral's financial operation in areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to sound financial practices.

The Audit and Risk Committee, composed of five directors independent of management, meets at least quarterly and provides a report to the board of directors on its activities following every meeting. The Audit and Risk Committee reviews the annual consolidated financial statements with management and recommends their approval to the board of directors.

The Audit and Risk Committee requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves those procedures. Annually, management prepares amendments to the Financial Management Policy, which are reviewed by the Audit and Risk Committee. As part of its mandate, the Audit and Risk Committee monitors management's adherence to the Financial Management Policy. In addition, any significant transactions that could affect the well-being of SaskCentral are reviewed by the Audit and Risk Committee.

The Audit and Risk Committee recommends the appointment of the external auditor and reviews the terms of the external audit engagement, annual fees, audit plans and scope, and management letter recommendations. The Audit and Risk Committee meets with the Chief Audit Officer to review and approve audit plans and also reviews reports from Audit Services on the effectiveness of the internal control environment. Both the external auditor and Audit Services have free access to, and meet periodically with, the Audit and Risk Committee to discuss their findings.

The annual return prepared by management for the Office of the Superintendent of Financial Institutions (OSFI) is reviewed by the Audit and Risk Committee prior to filing. Also, management letter recommendations received from OSFI are reviewed by the Audit and Risk Committee.

Gilles Colbert
Chair, Audit and Risk Committee

February 25, 2015

Deloitte.

Deloitte LLP
2103 - 11th Avenue
Mezzanine Level
Bank of Montreal Building
Regina SK S4P 3Z8
Canada

Tel: 306-565-5200
Fax: 306-757-4753
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Credit Union Central of Saskatchewan

We have audited the accompanying consolidated financial statements of Credit Union Central of Saskatchewan, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Credit Union Central of Saskatchewan as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants

Regina, Saskatchewan
February 25, 2015

Credit Union Central of Saskatchewan

Consolidated Balance Sheet

[in thousands of Canadian dollars]

As at December 31

	2014	2013
	$	$
Assets		
Cash and cash equivalents [note 7]	**70,244**	52,983
Securities [note 8]	**1,906,201**	1,927,146
Derivative assets [note 9]	**15,643**	18,115
Loans [note 10]	**40,636**	80,568
Trade and other receivables	**754**	984
Other assets [note 11]	**616**	686
Investments in associates [note 12]	**230,683**	216,871
Property, plant and equipment [note 13]	**5,035**	4,398
Investment property [note 14]	**10,188**	10,389
Intangible assets [note 15]	**799**	858
	2,280,799	2,312,998
Liabilities		
Deposits [note 17]	**1,790,716**	1,766,974
Derivative liabilities [note 9]	**15,643**	18,115
Loans payable [note 18]	**57,651**	107,593
Notes payable [note 19]	**14,992**	14,995
Trade and other payables	**4,538**	4,644
Other liabilities	**236**	126
Deferred income tax liabilities [note 16]	**13,641**	9,131
Subordinated debentures [note 20]	**-**	30,857
	1,897,417	1,952,435
Equity		
Share capital [note 21]	**135,581**	132,385
Retained earnings	**236,632**	217,852
Accumulated other comprehensive income	**10,159**	9,035
Total equity attributable to equity holders of SaskCentral	**382,372**	359,272
Non-controlling interest	**1,010**	1,291
Total equity	**383,382**	360,563
	2,280,799	2,312,998

See accompanying notes

On behalf of the Board:

Director

Director

Credit Union Central of Saskatchewan

Consolidated Statement of Profit or Loss

[in thousands of Canadian dollars]

Year ended December 31

	2014 $	2013 $
Interest income		
Securities	**34,865**	36,439
Loans	**1,170**	977
	36,035	37,416
Interest expense		
Deposits	**23,697**	23,134
Loans and notes	**1,379**	2,225
Subordinated debentures	**67**	860
	25,143	26,219
Net interest income	**10,892**	11,197
Non-interest income		
Dues [note 23]	**5,986**	6,400
Fee for service [note 24]	**23,725**	22,377
Gain on financial instruments [note 30]	**2,017**	2,476
Share of profits of associates [note 12]	**21,104**	24,007
	52,832	55,260
Net interest and non-interest income	**63,724**	66,457
Non-interest expense		
Salary and employee benefits [note 25]	**14,629**	14,971
Professional and advisory services [note 26]	**7,245**	7,610
Computer and office equipment [note 27]	**3,819**	3,408
Occupancy [note 28]	**3,630**	3,557
General business [note 29]	**5,328**	4,850
	34,651	34,396
Profit for the year before income taxes	**29,073**	32,061
Income tax expense [note 16]	**5,425**	6,001
Profit for the year	**23,648**	26,060
Attributable to:		
Owners of SaskCentral	**23,648**	26,060
Non-controlling interest	**-**	-
	23,648	26,060

See accompanying notes

Credit Union Central of Saskatchewan

Consolidated Statement of Comprehensive Income

[in thousands of Canadian dollars]

Year ended December 31

	2014 $	2013 $
Profit for the year	**23,648**	26,060
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Net unrealized gain (losses) on available-for-sale securities during the year	**5,603**	(3,050)
Reclassification of gains on available-for-sale securities disposed of in the year	**(1,052)**	(861)
Share of other comprehensive loss of associates [note 12]	**(2,541)**	(1,526)
Income tax relating to items that may be reclassified subsequently [note 16]	**(886)**	1,262
Other comprehensive income (loss) for the year, net of tax	**1,124**	(4,175)
Total comprehensive income for the year	**24,772**	21,885
Attributable to:		
Owners of SaskCentral	**24,772**	21,885
Non-controlling interest	**-**	-
	24,772	21,885

See accompanying notes

Credit Union Central of Saskatchewan

Consolidated Statement of Changes in Equity

[in thousands of Canadian dollars]

Year ended December 31

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-controlling interest	Total Equity
Balance as at December 31, 2012	128,600	197,749	13,210	339,559	1,069	340,628
Profit for the year	-	26,060	-	26,060	-	26,060
Other comprehensive loss for the year, net of tax	-	-	(4,175)	(4,175)	-	(4,175)
Increase in share capital	3,785	-	-	3,785	222	4,007
Dividends [note 22]	-	(8,160)	-	(8,160)	-	(8,160)
Reduction in income taxes [note 16]	-	2,203	-	2,203	-	2,203
Balance as at December 31, 2013	132,385	217,852	9,035	359,272	1,291	360,563
Profit for the year	**-**	**23,648**	**-**	**23,648**	**-**	**23,648**
Other comprehensive income for the year, net of tax	**-**	**-**	**1,124**	**1,124**	**-**	**1,124**
Increase (decrease) in share capital	**3,196**	**-**	**-**	**3,196**	**(281)**	**2,915**
Dividends [note 22]	**-**	**(6,669)**	**-**	**(6,669)**	**-**	**(6,669)**
Reduction in income taxes [note 16]	**-**	**1,801**	**-**	**1,801**	**-**	**1,801**
Balance as at December 31, 2014	**135,581**	**236,632**	**10,159**	**382,372**	**1,010**	**383,382**

See accompanying notes

Credit Union Central of Saskatchewan

Consolidated Statement of Cash Flows

[in thousands of Canadian dollars]

Year ended December 31

	2014 $	2013 $
Cash flows from operating activities		
Profit for the year	**23,648**	26,060
Adjustments to determine net cash used in operating activities:		
Depreciation of property, plant and equipment and investment property [note 13/14]	**801**	836
Other amortization	**11,926**	18,606
Gain on financial instruments	**(2,017)**	(2,476)
Net interest income	**(10,892)**	(11,197)
Share of profits in associates, net of losses	**(21,104)**	(24,007)
Income tax expense	**5,425**	6,001
Changes in operating assets and liabilities:		
Derivative assets (liabilities)	**-**	(18)
Loans, net of repayments	**39,878**	(21,582)
Trade and other receivables (payables)	**124**	196
Other assets	**70**	88
Deposits, net of withdrawals	**22,681**	75,519
Other liabilities	**110**	20
Interest received	**36,833**	38,238
Dividends received	**215**	673
Interest paid	**(24,950)**	(26,266)
Cash flows provided by operating activities	**82,748**	80,691
Cash flows from financing activities		
Loans payable, net of repayments	**(49,938)**	7,974
Notes payable, net of repayments	**4**	(4)
Redemption of subordinated debentures	**(30,000)**	-
Proceeds from issuance of share capital	**3,196**	3,785
Dividends paid to members [note 22]	**(6,669)**	(8,160)
Cash flows (used in) provided by financing activities	**(83,407)**	3,595
Cash flows from investing activities		
Purchase of securities	**(2,515,764)**	(2,903,515)
Proceeds from sales of securities	**2,530,546**	2,844,656
Asset backed commercial paper (ABCP) settlement funds received [note 30]	**-**	731
Distributions from investments in associates	**4,752**	6,383
Contributions to investments in associates	**-**	(659)
Property, plant and equipment [note 13]	**(1,237)**	(732)
Intangible assets [note 15]	**(377)**	(83)
Cash flows provided by (used in) investing activities	**17,920**	(53,219)
Net increase in cash and cash equivalents	**17,261**	31,067
Cash and cash equivalents, beginning of year	**52,983**	21,916
Cash and cash equivalents, end of year	**70,244**	52,983

See accompanying notes

1. REPORTING ENTITY

Credit Union Central of Saskatchewan and its subsidiaries (collectively "SaskCentral") is a company domiciled in Canada. The address of SaskCentral's registered office is 2055 Albert Street, Regina, Saskatchewan, S4P 3G8. SaskCentral is incorporated under *The Credit Union Central of Saskatchewan Act, 1999 (the Act)*, and maintains a certification and carries on business pursuant to the *Cooperative Credit Associations Act (Canada)* (the CCAA). SaskCentral's core functions are liquidity management and trade association activities on behalf of and for Saskatchewan credit unions.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared in accordance with subsection 292(4) of the CCAA.

These consolidated financial statements were authorized for issue by the Board on February 25, 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets and liabilities held at fair value through profit or loss (FVTPL), which include all derivative contracts, which have been 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, SaskCentral 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, and measurements that have some similarities to fair value, but are not fair value, such as value in use on impairment.

SaskCentral 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; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is SaskCentral's functional currency. Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

(d) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates thereby impacting the consolidated financial statements. Management believes that the underlying assumptions are appropriate and that SaskCentral's financial statements therefore present the financial position and results fairly.

Estimates and underlying 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.

Information about key sources of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are described in note 6.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of SaskCentral and entities controlled by SaskCentral and its subsidiaries. Control is achieved when SaskCentral (a) has power over the investee; (b) is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns.

SaskCentral reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When SaskCentral has less than the majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. SaskCentral considers all relevant facts and circumstances in assessing whether or not SaskCentral's voting rights in an investee are sufficient to give it power, including:

- the size of SaskCentral's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- potential voting rights held by SaskCentral, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate SaskCentral has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when SaskCentral obtains control over the subsidiary and ceases when SaskCentral loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income (loss) (OCI) from the date SaskCentral gains control until the date when SaskCentral ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with SaskCentral's accounting policies.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between SaskCentral and its subsidiaries are eliminated in full upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which SaskCentral has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize SaskCentral's share of the profit or loss and OCI of the associate. When SaskCentral's share of losses of an associate exceeds SaskCentral's interest in that associate, SaskCentral discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that SaskCentral has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in associate, any excess of the cost of the investment over SaskCentral's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of SaskCentral's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) are applied to determine whether it is necessary to recognize any impairment loss with respect to SaskCentral's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* (IAS 36) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations (continued)

When a group entity undertakes its activities under joint operations, SaskCentral as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

SaskCentral accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Sales and repurchase agreements

Securities sold subject to repurchase agreements are treated as collateralized borrowing transactions when the transferee has the right by contract or custom to sell or repledge the collateral and are classified as available-for-sale and recorded at fair value. Obligations related to assets sold under repurchase agreements are recorded in loans payable. Interest incurred on repurchase agreements is included in loans and notes interest expense.

Financial instruments

All financial assets and financial liabilities are recognized in the consolidated balance sheet and measured in accordance with their assigned classification. Financial assets and financial liabilities are recognized when SaskCentral becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(a) Financial assets

SaskCentral classifies financial assets to the following specified categories: FVTPL; available-for-sale; held to maturity; and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held-for-trading or is designated as FVTPL.

A financial asset is classified as held-for-trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with SaskCentral's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and is reported as gains on financial instruments. Gains and losses arising from SaskCentral's foreign exchange contracts are classified as held-for-trading and are included in the consolidated statement of profit or loss and are reported as fee for service. Fair value is determined in the manner described in note 4.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables or financial assets at FVTPL. Available-for-sale financial assets are initially recognized at fair value and measured subsequently at fair value with gains and losses being recognized in OCI in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. Fair value is determined in the manner described in note 4.

Available-for-sale financial assets are assessed for impairment at the end of each reporting period. If an available-for-sale financial asset is determined to be impaired, the cumulative gains or losses previously recognized in OCI in the consolidated statement of comprehensive income are recognized in the consolidated statement of profit or loss. Interest is calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the consolidated statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets (continued)

Purchase premiums or discounts on available-for-sale securities are amortized over the life of the security using the effective interest method and are recognized in securities interest income. Interest income accruing on available-for-sale securities is recorded in securities interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of profit or loss in securities interest income when SaskCentral's right to receive payment is established. Gains and losses realized on disposal of available-for-sale securities are included in gains on financial instruments.

Investments in equity instruments of co-operative enterprises classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method less any impairment.

(b) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as trade and other receivables, assets are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include SaskCentral's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of thirty days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets that are carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in OCI are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in OCI. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities measured at amortized cost. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is either held-for-trading or it is designated as FVTPL. A financial liability is classified as held-for-trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains and losses arising from re-measurement recognized in profit or loss. Fair value is determined in the manner described in note 4.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial assets or liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have expired or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. SaskCentral tests control to ensure that continuing involvement on the basis of any retained powers of control do not prevent derecognition. When financial assets are derecognized in full, a gain or loss is recognized in profit or loss for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

SaskCentral derecognizes financial liabilities when, and only when, SaskCentral's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

Categories of financial instruments

SaskCentral classifies their financial instruments into categories that reflect characteristics of the financial instruments. The classification made can be seen in the table below:

	Classification as defined by IAS 39	Type of financial instrument
Financial assets	FVTPL	Held-for trading • Certain debt securities • Derivative assets Designated at FVTPL • None
	Available-for-sale	Certain debt securities Equity securities
	Loans and receivables	Cash and cash equivalents Loans Trade and other receivables
Financial liabilities	FVTPL	Held-for-trading • Derivative liabilities Designated at FVTPL • None
	Other financial liabilities	Deposits Loans payable Notes payable Trade and other payables Subordinated debentures

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. SaskCentral has no financial assets or financial liabilities that are offset in the consolidated balance sheet.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the consolidated statement of profit or loss using the effective interest method, except for short-term receivables and payables when the effect of discounting is immaterial. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts 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. When calculating the effective interest rate, SaskCentral estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and basis points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income on held-for-trading securities is presented together with all other changes in the fair value of held-for-trading securities in gain on financial instruments.

Fee for service

Fee for service revenues are recognized over the period in which the related service is rendered.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid securities with a short maturity from the date of acquisition. They are subject to insignificant risk of changes in fair value and are used to manage short-term cash commitments.

Derivative financial instruments

SaskCentral enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, which include foreign exchange forward contracts. SaskCentral also enters into derivative transactions on an intermediary basis on behalf of credit unions. These derivatives are carried at fair value on a gross basis as derivative assets and liabilities. Further details of derivative financial instruments are disclosed in note 9.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Subordinated debentures

Transaction costs, premiums and discounts incurred in the issuance of subordinated debentures are amortized to interest expense using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated depreciation and impairment losses. Land is not amortized.

Depreciation is recognized using the straight-line method over the estimated useful life of the item of property, plant and equipment. Depreciation is discontinued when the residual value is equal to or greater than the net carrying value of a depreciable asset. The residual value of an asset is the estimated amount that would be currently obtained from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The applicable depreciation periods are as follows:

Buildings	40 years
Building improvements	5 to 15 years
Furniture and equipment	3 to 20 years

Depreciation methods, residual values and estimates of useful lives are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to SaskCentral and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Day to day servicing costs of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses arising from disposal of property, plant and equipment are measured as the difference between the disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Investment property

Investment property is property held for long-term rental income or for capital appreciation or both, and that is not occupied by SaskCentral. Investment property may be partially occupied by SaskCentral with the remainder being held for rental income or capital appreciation. If the part of the property held for rental income can be sold separately, SaskCentral accounts for the portions separately. The portion that is owner-occupied is accounted for as property, plant and equipment and the portion that is held for rental income is accounted for as an investment property. In order to determine the percentage of the portions, SaskCentral uses the size of the property measured in square feet.

Investment property is carried at its cost less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method over forty years, which is the estimated useful life of the investment property. Depreciation is discontinued when the residual value is equal to or greater than the net carrying value of a depreciable asset. Depreciation methods, residual values and estimates of useful lives are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The applicable amortization periods are as follows:

Computer software	3 to 5 years
Intangible assets under development	3 to 5 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Amortization methods and estimates of useful lives are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no further economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

Non-financial assets such as property, plant and equipment, investment property and intangible assets and are reviewed to determine whether an impairment loss has occurred on the assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

If an impairment loss is presumed to exist, a recoverable amount is estimated for the asset to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is assessed as the estimated future cash flows discounted to present value using a discount rate reflecting current market assessments of the time value of money and risks specific to the asset where future cash flows have not been adjusted. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

If the estimated recoverable amount is less than the carrying amount, the carrying amount is reduced to the estimated recoverable amount. The difference between the recoverable and carrying amount is the impairment loss and the loss is recognized in profit or loss immediately.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date and when there is an indication that reversal of the impairment may have occurred. Upon reversal of an impairment loss the carrying amount is increased to the revised recoverable amount and the revised recoverable amount does not exceed the carrying amount had the impairment loss not been recognized in prior years. The reversal is recognized in profit or loss immediately. No non-financial assets were impaired in 2014 or 2013.

Taxation

Income tax expense represents current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit for the year before income taxes as reported in the consolidated statement of profit or loss because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. SaskCentral's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

(b) Deferred tax (continued)

The principal temporary differences arise from depreciation of property, plant and equipment, effective interest method and carry-forward losses. Deferred income tax is not recognized for the following: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries to the extent SaskCentral is able to control the timing of the reversal of the temporary difference and to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. A deferred tax asset is recognized for differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will reverse in the future and that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax related to fair value re-measurement of available-for-sale securities, which are recognized in OCI, is also recognized in OCI and subsequently in the consolidated statement of profit or loss together with the deferred gains or losses.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but SaskCentral intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Employee Benefits

(a) Pension benefits

A defined contribution plan is a post-employment benefit plan under which SaskCentral pays fixed contributions into a separate entity. SaskCentral has no legal or constructive obligations 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.

The contributions are recognized as employee benefit expense when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Contributions to a defined contribution plan that are due more than twelve months after the end of the reporting period in which the employees rendered the service are discounted to their present value at the reporting date.

(b) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under SaskCentral's annual incentive compensation plan if SaskCentral has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized if, as a result of a past event, SaskCentral has a present legal or constructive obligation that can be estimated reliably, and it is probable that SaskCentral will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends

SaskCentral records dividends to shareholders as a reduction in retained earnings, in the year in which they are declared.

New standards and interpretations not yet adopted

At December 31, 2014 a number of standards and interpretations, and amendments thereto have been issued by the International Accounting Standards Board (IASB), which are not effective for these consolidated financial statements. Those which could have an impact on SaskCentral's consolidated financial statements are discussed below.

Property, plant and equipment and intangible assets

The amendments to IAS 16, *Property, Plant and Equipment* (IAS 16) and IAS 38, *Intangible Assets: Clarification of Acceptable Methods for Depreciation and Amortization* (IAS 38), clarify that the use of revenue-based methods for calculating depreciation of an asset is not appropriate. The reason for the amendment is that revenue generated by activities that include the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments to IAS 16 and IAS 38 are not effective until annual periods beginning on or after January 1, 2016, with prospective application required. SaskCentral is currently evaluating the impact of the amendments to IAS 16 and IAS 38 on its consolidated financial statements.

Acquisitions of Interests in Joint Operations

The amendments to IFRS 11, *Joint Arrangements* (IFRS 11) provide explicit guidance on the accounting for acquisitions of interests in joint operations. The amendments to IFRS 11 are not effective until annual periods beginning on or after January 1, 2016. SaskCentral is currently evaluating the impact of the amendments to IFRS 11 on its consolidated financial statements.

Financial instruments

On November 19, 2013, the IASB announced the completion of a package of three amendments to the accounting requirements for financial instruments set out in IFRS 9, *Financial Instruments* (IFRS 9). On July 24, 2014 the IASB issued the final version of the standard that supersedes all previous versions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted (continued)

Financial instruments (continued)

Key requirements of IFRS 9:

All recognized financial assets that are within the scope of IAS 39 are to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity instrument (that is not held-for-trading) in OCI, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

SaskCentral anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect to SaskCentral's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Revenue from contracts with customers

IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), is a new standard that addresses the recognition of revenue from contracts with customers. The core principle of the new standard is the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in the exchange for those goods or services. The new standard will also result in enhanced disclosures surrounding revenue.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. SaskCentral is currently evaluating the impact of the new standard on its consolidated financial statements.

SaskCentral did not early adopt any new or amended standards in 2014.

3. FINANCIAL RISK MANAGEMENT

Effective July 1, 2014, SaskCentral's Board approved the *Financial Management Policy* and repealed the *Balance Sheet Management Policy* and the *Balance Sheet Operating Policy*. The *Financial Management Policy* outlines risk management activities that support the maintenance of sufficient liquidity while ensuring capital adequacy. As a financial institution, SaskCentral is exposed to the following risks as a result of holding financial instruments: credit risk, market risk, and liquidity risk. The following is a description of these risks and how they are managed.

Credit risk

Credit risk arises from a counterparty's inability or unwillingness to fully meet its contractual obligations. The credit risk on securities and loans relates to principal and interest amounts. For derivatives, credit risk is the contract's replacement cost as opposed to its notional value.

SaskCentral manages credit risk by:

- Restricting the concentration of credit to issuer, issuer group, and industry
- Establishing prudent loan structuring, credit review and authorization processes
- Monitoring the quality of the credit portfolio ensuring conservative valuation and timely recognition of losses through specific loan impairment charges and securities write downs
- Providing new and annual reviews of issuers and industries for credit quality
- Limiting credit union loans
- Limiting the use of derivatives

SaskCentral's Board is responsible for approving the credit risk tolerances in the *Financial Management Policy* upon the recommendation of the Audit and Risk Committee. Compliance to this policy is presented to the Audit and Risk Committee on a semi-annual basis.

The Credit Committee, established by the Board and comprised of members of executive and senior management, has the authority to approve large loans. The Financial Management Advisory Committee, established by the Board and comprised of members of executive and senior management, has the authority to set credit risk strategies for the security portfolio within the risk tolerances in the *Financial Management Policy.*

The following reports, related to the management of credit risk, are provided to the SaskCentral Board:

- Monitored and Non-Productive Assets Report
- Large Lending Credits Report

The SaskCentral credit risk objectives, policies, and methodologies have not changed materially from December 31, 2013.

SaskCentral assumes credit risk in both the security and loan portfolios. In the securities portfolio SaskCentral supplements its internal credit analysis with industry recognized rating agency data (DBRS, Standard and Poor's, and Moody's). In the loans portfolio SaskCentral places primary reliance on internal risk ratings and a comprehensive review of the credit worthiness of the borrower. SaskCentral does not transact in credit derivatives.

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

SaskCentral's maximum exposure to credit risk, including undrawn commitments, without taking account of any collateral held or other credit enhancements is:

	2014 $	2013 $
Cash and cash equivalents	**46,259**	25,808
Securities	**1,929,184**	1,951,372
Derivative assets	**19,150**	12,373
Loans outstanding and undrawn commitments	**487,523**	467,681
Investments in associates	**231,305**	217,551
Letters of credit and financial guarantees	**36**	36
Total Exposure	**2,713,457**	2,674,821

The following table summarizes the authorized credit exposures based on SaskCentral's internal risk rating for loans.

	2014 $	2013 $
Low risk		
Risk rating 1	**474,358**	454,434
Risk rating 2	**1,000**	1,000
Standard monitoring		
Risk rating 3	**-**	-
Risk rating 4	**-**	-
Special monitoring		
Risk rating 5	**11,582**	11,896
Default		
Risk rating 6	**-**	-
Risk rating 7	**-**	-
Total Exposure	**486,940**	467,330

The following table summarizes the risk rating based on recognized rating agency data for FVTPL securities at carrying value.

	2014 $	2013 $
A	**22,804**	21,925
BBB	**-**	-
Unrated	**471**	391
Total Exposure	**23,275**	22,316

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The following table summarizes the risk rating based on recognized rating agency data for available-for-sale securities at carrying value.

	2014 $	2013 $
AAA/R1H	727,257	668,454
AA/R1M	578,885	682,719
A/R1L	514,246	511,210
BBB/R2H	40,668	19,899
Unrated	-	10
Co-operatives	13,406	13,115
Total Exposure	1,874,462	1,895,407

Refer to note 8 for information on the credit quality performance of the security portfolio and note 10 for information on the credit quality performance of the loan portfolio.

Concentrations of credit risk indicate relative sensitivity of performance to developments affecting a particular industry or geographic region. The following table summarizes the authorized credit exposures associated with financial instruments.

Credit risk exposure by industry:

	2014 $	2013 $
Automobile financing	41,434	10,413
Banking (Schedule 1)	739,829	795,611
Banking (Schedule 2 and Schedule 3)	3,500	14,987
Credit card issuing/financing	46,273	42,391
Diversified holdings	9,451	8,979
Information	10,196	-
Insurance carriers and related activities	1,797	1,797
Local credit union	384,489	365,350
Manufacturing	25,279	8,287
Master asset vehicles (MAV)	23,275	22,326
Mining & oil and gas extraction	18,274	27,775
Public administration (federal, provincial, and municipal government)	921,324	937,167
Real estate	4,808	1,481
Rental & leasing services	13,504	13,373
Retail trade	10,290	12,073
Transportation and warehousing	47,899	35,594
Utilities	10,600	4,301
Wholesale trade	2,248	-
Total Exposure	2,314,470	2,301,905

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk arises from three components:

- Interest rate risk which results from movements in interest rates. This risk primarily results from timing differences in the re-pricing of assets and liabilities as they mature or are contractually re-priced;
- Price risk which results from changes in the market price of an asset or liability; and
- Foreign exchange risk which results from movements in foreign exchange rates.

SaskCentral manages market risk by:

- Acquiring assets which are marketable with minimal risk of price fluctuation
- Establishing market risk limits
- Monitoring exposure and simulating the impact of interest rate changes
- Monitoring exposure to changes in foreign exchange rates
- Undertaking stress testing

SaskCentral's Board is responsible for approving the market risk tolerances in the *Financial Management Policy* upon the recommendation of the Audit and Risk Committee. Compliance to these policies is presented to the Audit and Risk Committee on a semi-annual basis. These policies outline maximum limits for the exposure of net interest income and the economic value of equity to market risk.

The Financial Management Advisory Committee has the authority to set market risk strategies for the balance sheet within the risk tolerances in the *Financial Management Policy*. In addition, this committee monitors the monthly simulation of the impact of interest rate changes to ensure market risk levels remain within policy and strategy parameters, and reviews derivative holdings.

The SaskCentral market risk objectives and methodologies have not changed materially from December 31, 2013.

The market risk position is measured on a monthly basis. Measurement of risk is based upon key assumptions such as future interest rate movements, asset growth, and funding mix. The short term (next 12 months) risk position is assessed by measuring both the impact of an immediate 100 basis points (bp) shock and a 30% rate ramp scenario on the adjusted net interest income which is the net interest income adjusted for realized gains and losses on derivatives. The long term risk position is assessed by measuring both the impact of an immediate 100 bp shock and a 30% rate ramp scenario on the economic value of equity.

The following represents the SaskCentral market risk position:

	2014 $		2013 $	
	Adjusted net interest income	Economic value of equity	Adjusted net interest income	Economic value of equity
Impact of:				
100 bp increase in rates	**4.6%**	**(1.0%)**	4.5%	(1.0%)
100 bp decrease in rates	**(3.2%)**	**0.8%**	(4.7%)	0.7%
Impact of:				
30% rate ramp increase	**2.5%**	**(0.2%)**	2.8%	(0.3%)
30% rate ramp decrease	**(0.7%)**	**0.3%**	(2.1%)	0.4%

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

SaskCentral's exposure to interest rate risk is the risk of capital volatility due to changes in interest rates. This arises when assets and liabilities have different maturity profiles. Interest rate risk has the potential to affect capital strength. Capital volatility is managed by matching asset duration or cash flows to liability duration or cash flows. Interest rate derivatives may be used to manage the duration or cash flow mismatch. SaskCentral monitors interest rate changes monthly on a forecasted basis.

SaskCentral evaluates interest rate risk by determining the financial impact under a variety of scenarios. SaskCentral limits the impact of interest rate changes so that an immediate 100 bp change in the interest rate will not negatively affect the economic value of equity by more than 10% or projected annual net interest income by more than 10% and a 30% rate ramp scenario will not negatively affect the economic value of equity by more than 10% one year forward or projected annual net interest income by more than 10%. SaskCentral's interest rate sensitivity to a 100 bp fluctuation in interest rates over the next 12 months would be as outlined in the following table:

	2014 $		2013 $	
	Profit (loss) for the year	Other comprehensive (loss) income	Profit (loss) for the year	Other comprehensive (loss) income
npact of:				
.00 bp increase in rates	**11,319**	**(3,864)**	11,523	(2,724)
.00 bp decrease in rates	**(10,461)**	**3,787**	(11,025)	2,724

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument, including derivatives, will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. SaskCentral's most significant other price risk relates to its holdings of ABCP as described in note 8. SaskCentral manages its other price risk by adhering to the *Financial Management Policy*.

Foreign exchange risk

Foreign exchange risk is the risk that SaskCentral's earnings will be negatively affected by currency fluctuations. The *Financial Management Policy* identifies the types of transactions permitted, authorizations, limits, monitoring and reporting requirements. SaskCentral is limited to net unhedged foreign denominated financial assets and financial liabilities of 2.5% of total capital. SaskCentral's exposure to foreign exchange fluctuations is monitored on a daily basis.

	2014 $		2013 $	
	Profit (loss) for the year	Other comprehensive (loss) income	Profit (loss) for the year	Other comprehensive (loss) income
npact of:				
.% increase in Canadian dollar	**9**	**-**	3	-
.% decrease in Canadian dollar	**(9)**	**-**	(3)	-

3. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk arises from the inability to generate or obtain necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they become due, without incurring unacceptable losses.

Liquidity risk specific to the role of SaskCentral as operating liquidity manager is managed by:

- Investing in a stock of high quality liquid assets
- Ensuring liquidity funding sources are sufficient to meet the requirements for normal operating mode, emergency operating mode, and bridge operations
- Complying with the requirements arising from the Group Clearing Agreement
- Maintaining a Liquidity Crisis Management Plan, including funding plans, and disseminating to credit unions
- Undertaking stress testing to assist in identifying, measuring and controlling liquidity risks and assessing liquidity sufficiency in case of both internal and market-wide stress events
- Maintaining an investment grade rating of R1-low
- Leading engagement with credit unions regarding liquidity processes and practices

The assessment of the liquidity position reflects management's estimates, assumptions, and judgments relative to current and future company specific operations and market conditions.

The SaskCentral Board is responsible for approving the liquidity risk tolerances in the *Financial Management Policy* upon the recommendation of the Audit and Risk Committee. Compliance to these policies is presented to the Audit and Risk Committee on a semi-annual basis.

The Financial Management Advisory Committee has the authority to set liquidity risk strategies for the balance sheet within the risk tolerances in the *Financial Management Policy*. In addition, this committee reviews compliance to mandatory liquidity requirements and monitors the liquidity position and projections, including the results of stress testing.

In the normal course of business SaskCentral enters into contracts that give rise to commitments of future minimum payments which affect liquidity.

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following table provides a summary of the SaskCentral primary future contractual funding commitments.

2014 $	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans payable	57,651	-	-	-	57,651
Notes payable	14,992	-	-	-	14,992
Total Exposure	72,643	-	-	-	72,643

2013 $	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans payable	107,593	-	-	-	107,593
Notes payable	14,995	-	-	-	14,995
Subordinated debentures	857	-	30,000	-	30,857
Total Exposure	123,445	-	30,000	-	153,445

The SaskCentral liquidity risk objectives and policies have not changed materially from December 31, 2013. The methodologies for measuring liquidity risk have changed. In 2013, SaskCentral used three metrics to monitor liquidity risk: readily marketable liquid assets as a percentage of liabilities; liquid assets as a percentage of Saskatchewan credit union assets; and a liquidity score. In 2014, SaskCentral replaced the first two metrics with the Liquidity Coverage Ratio (LCR).

The LCR is modeled after the May 2014 Liquidity Adequacy Requirements (LAR) Guideline published by the Office of the Superintendent of Financial Institutions (OSFI). This guideline does not apply to SaskCentral; however, SaskCentral has incorporated the LAR principles in the LCR. The LCR is the ratio of liquid assets over potential outflows over five days based on a combined view of Saskatchewan credit unions and SaskCentral. The policy limit describes an LCR of 150% or better. The LCR was 190% at December 31, 2014.

SaskCentral also evaluates liquidity quality of investments using the liquidity score. The liquidity score is an internal rating system developed by all Group Clearing participants. Ratings range from 0 to 4 with 0 indicating the investment is illiquid and 4 indicating the investment can be sold immediately to any dealer. The policy limit describes a liquidity score of 3.0 or better. The liquidity score was 3.3 at December 31, 2014 (2013 – 3.3).

in thousands of Canadian dollars

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Some of SaskCentral's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value of financial assets and financial liabilities measured at fair value on recurring basis

Instrument	Fair value as at 2014 $	2013 $	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets					
Available-for-sale securities					
Government					
Federal	**556,655**	444,483	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Provincial	**360,839**	493,797	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Municipal	**3,829**	-	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Corporate					
Corporate debt	**213,313**	150,690	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Asset backed securities (ABS)	**8,452**	7,979	Level 2	Discounted cash flow. Future cash flows are determined based on coupon rates ranging from 1.59% to 1.77% that reflect a combination of collateralized debt obligation (CDO) and commercial mortgage backed security (CMBS) rates with similar maturity dates and characteristics. Discount rates ranging from of 1.00% to 1.05% estimated using market comparable rates from Bloomberg.	N/A
Central 1 Credit Union (Central 1) subordinated debentures	**5,852**	5,989	Level 2	Discounted cash flow. Future cash flows are determined based on coupon rates ranging from 1.41% to 2.82% that reflect a three month CDOR rate with similar maturity dates and characteristics plus an adjustment of 10 bps. Discount rates ranging from 1.00% to 1.18%, estimated using market comparable rates from Bloomberg.	N/A

in thousands of Canadian dollars

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and financial liabilities measured at fair value on recurring basis (continued)

Instrument	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2014 $	2013 $			
Financial assets (continued)					
Available-for-sale securities (continued)					
Credential Financial subordinated debentures	**576**	573	Level 2	Discounted cash flow. Future cash flows are determined based on a fixed coupon rate of 5.13%. Discount rates ranging from 1.01% to 1.22%, estimated using market comparable rates from Bloomberg.	N/A
Credential Securities subordinated debentures	**659**	-	Level 2	Discounted cash flow. Future cash flows are determined based on a fixed coupon rate of 4.05%. Discount rates ranging from 1.02% to 1.06%, estimated using market comparable rates from Bloomberg.	N/A
MAV	**-**	10	Level 2	Market comparable prices using quoted prices obtained from multiple brokers.	N/A
Chartered banks	**717,968**	785,333	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Co-operatives(1)	**2,224**	1,562	Level 2	Fair value determined by obtaining bid price from independent third party.	N/A
FVTPL securities					
MAV	**23,275**	22,316	Level 2	Market comparable prices using quoted prices obtained from multiple brokers.	N/A
Derivative assets					
Foreign exchange contracts	**4**	6	Level 2	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates and contract forward rates.	N/A
Index-linked term deposits	**15,639**	18,109	Level 2	Discounted cash flow. Future cash flows are estimated based on observable market inputs (third party quotes, pricing on trading venues and prices for comparable transactions) and a discount rate derived from relevant market inputs for each asset class.	N/A

(1) Certain co-operative securities with a carrying value at December 31, 2014 of $4,095 (2013 - $4,991) are not included in this note as these securities are carried at cost because a quoted price in an active market is not available and the fair value cannot be reliably measured.

in thousands of Canadian dollars

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and financial liabilities measured at fair value on recurring basis (continued)

Instrument	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2014 $	2013 $			
Financial liabilities					
Derivative liabilities					
Foreign exchange contracts	4	6	Level 2	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates and contract forward rates.	N/A
Index-linked term deposits	15,639	18,109	Level 2	Discounted cash flow. Future cash flows are estimated based on observable market inputs (third party quotes, pricing on trading venues and prices for comparable transactions) and a discount rate derived from relevant market inputs for each asset class.	N/A

SaskCentral's policy is to recognize transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During the year, the valuation method of MAV securities was changed from a discounted cash flow method to a market comparable approach using multiple broker-quoted prices. As a result, SaskCentral transferred MAV securities with a carrying value of $23,275 (2013 - $22,316) at the date of the transfer from Level 3 into Level 2. There have been no transfers between Level 1 and 2.

Reconciliation of Level 3 fair value measurements

	2014 $	2013 $
Level 3, beginning of year	22,326	21,466
Total gains (losses)		
In profit or loss	961	954
In OCI	-	15
Issuances	-	-
Sales/settlements	-	-
Principal payments	(12)	(109)
Transfer out of Level 3	(23,275)	-
Level 3, end of year	-	22,326
Total gains for the period included in profit or loss for assets held at the end of the reporting period	961	954

in thousands of Canadian dollars

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value of financial assets and liabilities not measured at fair value on recurring basis (but fair value disclosures are required)

Except as detailed in the following table, SaskCentral considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair value.

	Carrying value as at		Fair value as at		Fair value hierarchy	Valuation technique(s)
	2014 $	2013 $	2014 $	2013 $		
Financial assets						
Credit union loans – fixed interest rate[1]	**14,975**	39,889	**14,976**	39,909	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
Commercial loans	**4,093**	4,409	**4,099**	4,404	Level 2	
Financial liabilities						
Deposits	**1,790,716**	1,766,974	**1,805,083**	1,770,610	Level 2	Discounted cash flows based on current market rates of interest for similar maturities.
Loans payable	**57,649**	107,593	**57,649**	107,606	Level 2	
Notes payable	**14,992**	14,995	**14,995**	14,996	Level 2	
Subordinated debentures	-	30,857	-	30,863	Level 2	

[1] The fair value of variable interest rate credit union loans approximates the carrying value of $21,568 (2013 - $36,270).

5. CAPITAL MANAGEMENT

SaskCentral manages and monitors capital from several perspectives, including regulatory capital requirements and operational capital requirements.

Regulatory capital is allocated to two tiers: Tier 1 and Tier 2. Tier 1 regulatory capital comprises the more permanent components of capital and consists of share capital and retained earnings, excluding accumulated other comprehensive income. Tier 2 regulatory capital consists of subordinated debentures, less any amortization on the subordinated debentures as required by the OSFI. Total regulatory capital is defined as the sum of Tier 1 and Tier 2 regulatory capital, less substantial investments and assets of little or no realizable value.

SaskCentral manages its capital by monitoring, on a quarterly basis, a number of regulatory requirements as prescribed by OSFI and by internal Board and operational policies. Annually, SaskCentral develops a five year capital plan that is reviewed with the Audit and Risk Committee. This capital plan discusses the components of capital, the assumptions and risk factors, the capital and financial position, and provides alternatives to support organizational growth.

The Borrowing Multiple is an important measure for SaskCentral as it determines the level of borrowings to Total Regulatory Capital or the leverage in the organization. Total borrowings are comprised of total deposits, notes payable, loans payable and liabilities related to derivative contracts, excluding index-linked term deposits. The Borrowing Multiple is not to exceed 20.0 times total borrowings as prescribed by OSFI. Internal board policy for this ratio is set at 17.0 times. Operationally, management targets a maximum ratio of 14.0 times.

in thousands of Canadian dollars

5. CAPITAL MANAGEMENT (continued)

Throughout the year, SaskCentral has been in compliance with OSFI prescribed capital adequacy requirements, board policy capital requirements, and internally imposed operational capital targets.

	2014 $	2013 $
Capital		
Tier 1 and Tier 2 regulatory capital	**372,213**	362,237
Less deductions:		
Substantial investments	**225,425**	208,289
Assets of little value	**705**	1,955
Total borrowing multiple capital	**146,083**	151,993
Borrowing multiple	**12.8:1**	12.4:1

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, profits and losses during the reporting period. Accordingly, actual results may differ from those estimates. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on historical experience and other factors, including expectations with regard to future events. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments that management have made in the process of applying SaskCentral's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Allowances for impairment

SaskCentral reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, SaskCentral makes judgments as to whether there is any observable evidence to suggest impairment may exist before the decrease can be identified in the loan portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the portfolios. There were no allowances for impairment in 2014.

Significant influence over Concentra Financial

Note 12 describes that Concentra Financial is an associate of SaskCentral even though SaskCentral owns 84.3% (2013 – 84.3%) of the non-voting Class A shares and 47% (2013 – 47%) of the voting membership shares of Concentra Financial. Section 52 of the CCAA prohibits Concentra Financial from being controlled by SaskCentral. The CCAA requires that Concentra Financial can only be controlled by another association and SaskCentral is not an association. SaskCentral has significant influence over Concentra Financial by virtue of its right to appoint seven out of fifteen members of the Concentra Financial Board of Directors. Also, SaskCentral is limited to a 30% or 50% vote on special resolutions brought to the members. Finally, SaskCentral is limited to one vote out of 235 member votes on ordinary resolutions brought to the members. Management has concluded that due to the lack of substantive rights to power, SaskCentral does not control Concentra Financial. SaskCentral cannot control the relevant activities of Concentra Financial as these decisions are made at the Board of Director and/or member level.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Significant influence over Celero Solutions

Note 12 describes that SaskCentral has significant influence over Celero Solutions by virtue of its 31.4% (2013 – 31.4%) interest in Celero Solutions. SaskCentral has the right to appoint two out of seven (28.6%) members of the Celero Solutions Management Committee. Management has concluded that due to the lack of unanimous consent required to make decisions regarding relevant activities, SaskCentral does not have joint control over Celero Solutions. However, since SaskCentral has 28.6% of the voting power of Celero Solutions, management has concluded that SaskCentral has significant influence over Celero Solutions.

Control of CUVentures LP

Note 33 describes that CUVentures LP is a subsidiary of SaskCentral as a result of SaskCentral's 100% (2013 – 100%) ownership of CUVentures Inc., the General Partner. In addition, SaskCentral has the power to appoint and remove two out of two directors of CUVentures Inc. SaskCentral also owns 81.22% (2013 - 81.22%) of the partnership units of CUVentures LP. Management has concluded that SaskCentral has control over CUVentures LP since SaskCentral has 100% of the voting power of CUVentures Inc., who has the full power and authority to make all decisions on behalf of CUVentures LP.

Significant influence over Saskatchewan Entrepreneurial Fund Joint Venture

CUVentures LP has 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which has a 45.45% share in Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). Note 12 describes that SaskCentral has significant influence over SEF JV by virtue of SEF LP's 45.45% (2013 – 45.45%) interest in SEF JV. SaskCentral has the ability to appoint two out of five members (40%) to the Executive Committee of SEF JV. Management has concluded that due to the lack of unanimous consent required to make decisions, SaskCentral does not have joint control of SEF JV. However, since SaskCentral has 40% of the voting power of SEF, through CUVentures LP, management has concluded that SaskCentral has significant influence over SEF.

Classification of CUPS Payment Services as a joint operation

Note 34 describes that CUPS Payment Services (CUPS) is a joint operation by virtue of SaskCentral's 50% interest in the joint arrangement in which unanimous consent is required for decision making. The remaining 50% interest in CUPS is owned by Alberta Central. CUPS is an unincorporated joint operation structured through a separate vehicle with a contractual arrangement. This separate vehicle is an unincorporated joint venture and is not seen as a separate entity under law. An unincorporated joint venture does not offer limited liability and the assets and liabilities held in the separate vehicle are regarded legally as the assets and liabilities of SaskCentral and Alberta Central based on their proportionate share in the joint operation. The legal form of the contractual arrangement gives SaskCentral and Alberta Central rights to the assets and obligations for the liabilities, in proportion to their proportionate share in the joint operation. The contractual agreement between SaskCentral and Alberta Central states that the gross revenues, expenses, income and losses of the joint operation shall belong to, be owned by and borne exclusively by SaskCentral and Alberta Central in proportion to their proportionate share in the joint operation. Management has concluded that CUPS is a joint operation due to the fact that both SaskCentral and Alberta Central share proportionately the rights to the assets, obligations to the liabilities and share of profits or losses of CUPS.

in thousands of Canadian dollars

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

Some of SaskCentral's financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, SaskCentral uses market-observable data to the extent it is available. Where Level 1 inputs are not available, SaskCentral utilizes valuation techniques, such as discounted cash flow models, or observable data from sources such as Bloomberg, to calculate the fair value of assets and liabilities. Where valuation techniques such as models are used to determine fair values, they are validated and periodically reviewed. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 4 and 14.

Income taxes

The deferred income tax liability recognized at December 31, 2014 is based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the deferred income tax liability recognized may be adjusted.

7. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash and balances with Central 1	**37,136**	21,234
Cash and balances with banks	**9,869**	5,832
Cash equivalents	**23,239**	25,917
	70,244	52,983

8. SECURITIES

`

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 71.9% (2013 – 66.8%) of the portfolio bears interest at fixed rates and pays interest semi-annually and/or upon maturity. The remainder of the portfolio earns interest at variable rates and pays interest monthly or quarterly, provides a return of dividends over varying periods of time or provides an index-linked return.

in thousands of Canadian dollars

8. SECURITIES (continued)

The maturity dates and weighted average effective interest rates for the securities portfolio are as follows:

	2014 $					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Available-for-sale						
Government						
Federal						
Fair value	45,082	83,209	417,950	10,414	-	556,655
Amortized cost	45,057	82,817	415,453	10,400	-	553,727
Yield (1)	1.30%	1.89%	1.48%	1.24%		1.52%
Provincial						
Fair value	23,061	47,140	290,638	-	-	360,839
Amortized cost	22,992	47,001	289,026	-	-	359,019
Yield (1)	2.70%	1.57%	1.46%			1.55%
Municipal						
Fair value	-	-	3,829	-	-	3,829
Amortized cost	-	-	3,825	-	-	3,825
Yield (1)			1.53%			1.53%
Corporate						
Corporate debt (2)						
Fair value	-	43,576	178,189	-	-	221,765
Amortized cost	-	43,513	177,329	-	-	220,842
Yield (1)		1.73%	2.14%			2.06%
Master asset vehicle						
Fair value	-	-	-	-	-	-
Amortized cost	-	-	-	-	-	-
Yield (1)						
Chartered banks						
Fair value	21,035	92,700	599,120	5,113	-	717,968
Amortized cost	21,015	92,335	594,847	4,999	-	713,196
Yield (1)	2.20%	2.12%	2.16%	2.86%		2.16%
Co-operatives						
Fair value	-	-	-	5,852	7,554	13,406
Amortized cost	-	-	-	6,000	7,476	13,476
Yield (1)				1.38%		0.60%
Total fair value	89,178	266,625	1,489,726	21,379	7,554	1,874,462
Total amortized cost	89,064	265,666	1,480,480	21,399	7,476	1,864,085
FVTPL						
Master asset vehicle						
Fair value	-	-	22,804	471	-	23,275
Total carrying value						1,897,737
Accrued interest						8,464
						1,906,201

(1) represents weighted average effective interest rates based on year-end carrying values
(2) corporate debt includes: commercial paper, medium-term notes

in thousands of Canadian dollars

8. SECURITIES (continued)

2013
$

	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Available-for-sale						
Government						
Federal						
Fair value	15,035	84,594	339,852	5,002	-	444,483
Amortized cost	15,046	84,408	338,123	5,000	-	442,577
Yield (1)	0.67%	1.33%	1.54%	1.24%		1.47%
Provincial						
Fair value	68,659	104,978	310,169	9,991	-	493,797
Amortized cost	68,618	104,703	308,773	9,998	-	492,092
Yield (1)	1.35%	1.71%	1.58%	1.40%		1.57%
Municipal						
Fair value	-	-	-	-	-	-
Amortized cost	-	-	-	-	-	-
Yield (1)						
Corporate						
Corporate debt (2)	17,299	9,022	132,348	-	-	158,669
Fair value	17,306	9,019	132,897	-	-	159,222
Amortized cost	1.54%	1.49%	1.94%			1.87%
Yield (1)						
Master asset vehicle						
Fair value	-	-	-	10	-	10
Amortized cost	-	-	-	-	-	-
Yield (1)				8.94%		8.94%
Chartered banks						
Fair value	73,381	248,573	463,379	-	-	785,333
Amortized cost	73,411	247,583	461,875	-	-	782,869
Yield (1)	1.58%	2.07%	2.20%			2.10%
Co-operatives						
Fair value	-	-	-	5,989	7,126	13,115
Amortized cost	-	-	-	6,000	6,991	12,991
Yield (1)				1.38%		0.63%
Total fair value	174,374	447,167	1,245,748	20,992	7,126	1,895,407
Total amortized cost	174,381	445,713	1,241,668	20,998	6,991	1,889,751
FVTPL						
Master asset vehicle						
Fair value	-	-	21,925	391	-	22,316
Total carrying value						1,917,723
Accrued interest						9,423
						1,927,146

(1) represents weighted average effective interest rates based on year-end carrying values
(2) corporate debt includes: commercial paper, medium-term notes

in thousands of Canadian dollars

8. SECURITIES (continued)

Unrealized gains and losses on available-for-sale securities

	2014 $			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Government	916,571	4,810	(58)	921,323
Corporate	947,514	6,134	(509)	953,139
	1,864,085	10,944	(567)	1,874,462

	2013 $			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Government	934,669	4,040	(429)	938,280
Corporate	955,082	4,081	(2,036)	957,127
	1,889,751	8,121	(2,465)	1,895,407

MAV, which consist of pools of assets, issued notes on January 19, 2009, to replace non-bank sponsored or third party ABCP which had experienced a liquidity event or market disruption in 2007. During the year SaskCentral received $270 (2013 - $372) of principal and interest payments on the MAV notes held. SaskCentral also sold $nil (2013 - $nil) (par value) of MAV notes. The fair value of MAV notes held at December 31, 2014 is $23,275 (2013 - $22,326).

9. DERIVATIVE ASSETS AND LIABILITIES

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index.

Derivative contracts are expressed in notional amounts. The notional amounts, which are off-balance sheet, do not represent amounts exchanged and, thus, are not a measure of SaskCentral's exposure through the use of derivatives. The notional amount is the reference amount used to determine the payment required by contract and is a common measure of business volume.

Foreign exchange forward contracts are contractual obligations to buy or sell one currency against another, for settlement on the day the contract expires. A forward contract manages the risk of fluctuating exchange rates by locking in a current price for a transaction that will take place in the future. Exposure is managed through entering into forward contracts.

Index-linked term deposits are contractual agreements between SaskCentral and participating credit unions, where credit union member's returns are linked to an underlying basket of stocks or indices. The return is generated through the use of a derivative specific to each product offering. SaskCentral is party to these transactions by facilitating the transactions, providing treasury expertise, and directing settlement with each participating credit union.

Derivatives currently held or issued are for non-trading purposes. These derivatives are used in managing SaskCentral's asset/liability activities and include investing and hedging activities.

in thousands of Canadian dollars

9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Notional amounts and term to maturity

	2014 $				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Foreign exchange contracts	143	141	-	-	284
Index-linked term deposits	21,421	18,551	89,695	-	129,667
	21,564	18,692	89,695	-	129,951

	2013 $				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Foreign exchange contracts	103	126	-	-	229
Index-linked term deposits	11,815	16,944	111,509	-	140,268
	11,918	17,070	111,509	-	140,497

Fair value of derivative instruments

	2014 $		2013 $	
	Positive	Negative	Positive	Negative
Foreign exchange contracts	4	4	6	6
Index-linked term deposits	15,639	15,639	18,109	18,109
	15,643	15,643	18,115	18,115

Amounts Expected to be Recovered or Settled

	2014 $		2013 $	
	Positive	Negative	Positive	Negative
Within 12 months	5,048	5,048	6,844	6,844
After 12 months	10,595	10,595	11,271	11,271
	15,643	15,643	18,115	18,115

Derivative transactions related to the manufacturing of index-linked term deposits do not carry residual credit risk exposure. SaskCentral does not make any representations as to the derivative, or the return of the derivative. SaskCentral has no payment obligation beyond that which it receives on the derivative, and is not responsible should any loss occur.

in thousands of Canadian dollars

9. DERIVATIVE ASSETS AND LIABILITIES (continued)

SaskCentral is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. SaskCentral's credit exposure on the foreign exchange forward contracts is limited to the positive replacement cost (fair value) of the instruments as this represents the cost to replace these contracts at prevailing market rates if a default occurred. SaskCentral mitigates exposures by limiting the counterparties to foreign exchange forward contracts to credit worthy Canadian financial institutions. In determining the credit quality of derivative instruments both SaskCentral's own credit risk and the risk of the counterparty are considered elements of the credit quality.

Credit risk is measured by using a credit equivalent amount. The credit equivalent amount is derived from the sum of the positive replacement cost and the potential credit risk exposure which reflects the potential change in replacement cost in relation to the remaining term to maturity of the contract. The risk-weighted amount is determined by applying standard measures of counterparty risk to the credit equivalent amount.

The following table provides information in relation to SaskCentral's credit risk exposure for derivative financial transactions. Positive replacement cost is derived from the fair value of derivative financial instruments [note 4]. Potential credit risk exposure and risk-weighted equivalents are calculated in accordance with the capital adequacy guidelines as prescribed by OSFI.

	2014 $	2013 $
Notional amounts	**284**	229
Positive replacement cost	**4**	6
Potential credit risk exposure	**3**	2
Credit equivalent amount	**7**	8
Risk-weighted equivalent	**1**	2

10. LOANS

	2014 $	2013 $
Credit union	**36,528**	76,091
Commercial loans	**4,082**	4,397
	40,610	80,488
Accrued interest	**26**	80
	40,636	80,568

Approximately 53.11% (2013 – 44.96%) of the total loan portfolio bears interest at variable rates.

in thousands of Canadian dollars

10. LOANS (continued)

The repricing dates, which approximate maturity dates, and weighted average effective interest rates for the loan portfolio are as follows:

2014	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Credit union					
Amortized cost ($)	36,528	-	-	-	36,528
Rate (%)	2.19%				2.19%
Commercial loans					
Amortized cost ($)	4,082	-	-	-	4,082
Rate (%)	3.00%				3.00%
Amortized cost	40,610	-	-	-	40,610

2013	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Credit union					
Amortized cost ($)	76,091	-	-	-	76,091
Rate (%)	1.99%				1.99%
Commercial loans					
Amortized cost ($)	4,397	-	-	-	4,397
Rate (%)	3.00%				3.00%
Amortized cost	80,488	-	-	-	80,488

11. OTHER ASSETS

	2014 $	2013 $
Prepaid and deferred costs	616	595
Inventory	-	91
	616	686

in thousands of Canadian dollars

12. INVESTMENTS IN ASSOCIATES

Concentra Financial

At December 31, 2014, SaskCentral owns 84.3% (2013 – 84.3%) of the non-voting Class A shares and 47% (2013 – 47%) of the voting membership shares of Concentra Financial. Concentra Financial provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers. Concentra Financial's registered place of business is Saskatoon, Saskatchewan.

Celero Solutions

At December 31, 2014, SaskCentral has a 31.4% (2013 – 31.4%) interest in Celero Solutions, an arrangement between SaskCentral, Alberta Central and Manitoba Central for the purpose of providing information technology (IT) services including developing new IT services and providing technology-based products. Celero Solutions' registered place of business is Calgary, Alberta.

SEF JV

At December 31, 2014, SaskCentral has a 45.45% (2013 – 45.45%) interest in SEF JV, which was created to undertake and carry out the investment and deployment of capital to small and mid-sized businesses in Saskatchewan requiring less than $1 million in capital. SEF JV's principal place of business is Regina, Saskatchewan.

SaskCentral accounts for the above investments in associates using the equity method in these consolidated financial statements. Related party transactions for these investees, if any, are disclosed in note 31.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by SaskCentral is as follows:

2014
$

	Assets	Liabilities	Revenue	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Concentra Financial	6,746,485	6,452,119	218,678	23,207	(3,014)	20,193
Celero Solutions	41,545	30,533	78,806	3,063	-	3,063
SEF JV	3,318	175	229	(136)	-	(136)
	6,791,348	6,482,827	297,713	26,134	(3,014)	23,120

2013
$

	Assets	Liabilities	Revenue	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Concentra Financial	6,058,077	5,780,755	208,761	26,623	(1,810)	24,813
Celero Solutions	34,236	25,552	78,508	257	-	257
SEF JV	6,776	246	663	418	-	418
	6,099,089	5,806,553	287,932	27,298	(1,810)	25,488

in thousands of Canadian dollars

12. INVESTMENTS IN ASSOCIATES (continued)

A reconciliation of the above summarized financial information to the carrying amount of the interest in associates recognized in the consolidated financial statements is provided below.

	2014 $		
	Concentra Financial	**Celero Solutions**	**SEF JV**
Net assets of the associate	**294,366**	**11,012**	**3,143**
Proportion of SaskCentral's ownership interest	**84.30%**	**31.40%**	**45.45%**
Goodwill	**(19,248)**	**-**	**-**
Other adjustments	**(3,124)**	**18**	**-**
Carrying amount of SaskCentral's interest in associates	**225,779**	**3,476**	**1,428**

	2013 $		
	Concentra Financial	**Celero Solutions**	**SEF JV**
Net assets of the associate	277,322	8,684	6,530
Proportion of SaskCentral's ownership interest	84.30%	31.40%	45.45%
Goodwill	(19,248)	-	-
Other adjustments	(3,052)	35	(341)
Carrying amount of SaskCentral's interest in associates	211,482	2,762	2,627

During the period, SaskCentral received the following distributions from its investments in associates:

	2014 $	2013 $
Concentra Financial	**3,369**	5,615
Celero Solutions	**243**	-
SEF JV	**1,140**	768
	4,752	6,383

in thousands of Canadian dollars

13. PROPERTY, PLANT AND EQUIPMENT

2014 $	Land	Building	Furniture and equipment	Total
Cost				
Balance as at January 1	859	10,351	4,504	15,714
Additions	-	631	606	1,237
Disposals	-	(437)	(264)	(701)
Transfers	-	330	(330)	-
Ending Balance as at December 31	859	10,875	4,516	16,250
Accumulated Depreciation				
Balance as at January 1	-	7,314	4,002	11,316
Depreciation charges	-	348	252	600
Disposals	-	(437)	(264)	(701)
Transfers	-	55	(55)	-
Ending Balance as at December 31	-	7,280	3,935	11,215
Carrying Value as at December 31	859	3,595	581	5,035

2013 $	Land	Building	Furniture and equipment	Total
Cost				
Balance as at January 1	859	10,796	3,525	15,180
Additions	-	396	336	732
Disposals	-	-	(198)	(198)
Transfers	-	(841)	841	-
Ending Balance as at December 31	859	10,351	4,504	15,714
Accumulated Depreciation				
Balance as at January 1	-	7,739	3,186	10,925
Depreciation charges	-	315	274	589
Disposals	-	-	(198)	(198)
Transfers	-	(740)	740	-
Ending Balance as at December 31	-	7,314	4,002	11,316
Carrying Value as at December 31	859	3,037	502	4,398

in thousands of Canadian dollars

14. INVESTMENT PROPERTY

Investment property consists of the portion of the building not occupied by SaskCentral. SaskCentral uses the cost model to account for its investment property. Details are as follows:

	2014 $	2013 $
Cost		
Balance as at January 1	**11,449**	11,449
Ending Balance as at December 31	**11,449**	11,449
Accumulated Depreciation		
Balance as at January 1	**1,060**	813
Depreciation charges	**201**	247
Ending Balance as at December 31	**1,261**	1,060
Carrying Value as at December 31	**10,188**	10,389

The fair value of SaskCentral's investment property at December 31, 2014 is $27,079 (2013 - $29,309). The fair value of the investment property has been arrived at on the basis of a valuation completed by management. In 2013, the fair value was determined based on a valuation performed by B.R. Gaffney and Associates, independent valuers not related to SaskCentral. B.R. Gaffney and Associates are members of the Appraisal Institute of Canada and have the appropriate professional qualifications and experience in valuing properties in the relevant locations.

The fair value was determined using an income approach. The estimate of fair value by management was developed based on current and future income that could be generated by the investment property through rents based on estimated market rates. In estimating the fair value of the investment property, the highest and best use of the investment property is the current use. A summary of inputs (Level 3) used to calculate fair value is provided below:

Income approach	2014	2013
Rent per square foot (in actual Canadian dollars)	**$13 - $19**	$8 - $18
Parking rate per month (in actual Canadian dollars)	**$212.50**	$210
Vacancy rate	**11.45%**	5%
Capitalization rate	**7.5%**	7.5%

In 2014, investment property generated rental income of $2,654 (2013 - $3,200). Direct operating expenses recognized in the consolidated income statement were $1,762 (2013 - $1,836).

in thousands of Canadian dollars

15. INTANGIBLE ASSETS

2014 $

	Computer Software	Intangible Assets under Development	Total
Cost			
Balance as at January 1	4,273	836	5,109
Additions	377	-	377
Disposals	-	-	-
Ending Balance as at December 31	4,650	836	5,486
Accumulated Amortization			
Balance as at January 1	3,439	812	4,251
Amortization charges	433	3	436
Disposals	-	-	-
Ending Balance as at December 31	3,872	815	4,687
Carrying Value as at December 31	778	21	799

2013 $

	Computer Software	Intangible Assets under Development	Total
Cost			
Balance as at January 1	4,213	813	5,026
Additions	60	23	83
Disposals	-	-	-
Ending Balance as at December 31	4,273	836	5,109
Accumulated Amortization			
Balance as at January 1	2,990	807	3,797
Amortization charges	449	5	454
Disposals	-	-	-
Ending Balance as at December 31	3,439	812	4,251
Carrying Value as at December 31	834	24	858

16. INCOME TAXES

Income taxes are included in the consolidated statement of profit or loss as follows:

	2014 $	2013 $
Deferred income tax expense		
Origination and reversal of temporary differences	5,425	6,001
	5,425	6,001

in thousands of Canadian dollars

16. INCOME TAXES (continued)

Income taxes are included in the consolidated statement of comprehensive income as follows:

	2014 $	2013 $
Net unrealized gains on available-for-sale securities		
Deferred income tax expense (recovery)	746	(1,062)
	746	(1,062)
Reclassification of gains on available-for-sale securities to income		
Deferred income tax expense (recovery)	140	(200)
	140	(200)
	886	(1,262)

Income taxes are included in the consolidated statement of changes in equity as follows:

	2014 $	2013 $
Reduction in income taxes due to payment of dividends		
Deferred income tax recovery	(1,801)	(2,203)
	(1,801)	(2,203)

Dividends, which are reflected in retained earnings, are normally deductible in determining current income subject to tax. The reduction in income tax resulting from the payment of dividends deductible in determining income subject to tax is reflected in retained earnings.

Total income tax reported in the consolidated financial statements:

	2014 $	2013 $
	4,510	2,536

Reconciliation of income tax expense from continuing operations:

	2014 $	2013 $
Combined federal and provincial income tax rate applied to income from Continuing operations (2014 – 27%; 2013 – 27%)	7,850	8,657
Income tax expense adjusted for the effect of:		
Non-taxable dividend income	(58)	(182)
Rate reduction relating to equity income	(2,284)	(2,475)
Expenses not deductible for tax purposes	25	28
Adjustments related to prior periods	(108)	(27)
	5,425	6,001

in thousands of Canadian dollars

16. INCOME TAXES (continued)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 18% (2013 - 21%). The movement in deferred income tax liability is as follows:

	2014 $	2013 $
Balance, beginning of year	**9,131**	6,595
Recognized in profit or loss	**5,425**	6,001
Available-for-sale securities:		
Fair value measurement	**746**	(1,062)
Transfer to profit or loss	**140**	(200)
Recognized in retained earnings	**(1,801)**	(2,203)
Balance, end of year	**13,641**	9,131

The components of deferred income taxes are as follows:

	2014 $	2013 $
Deferred income tax assets		
Non capital loss carryforward	**4,909**	7,564
Accounts payable and deferred revenue	**103**	80
Losses not yet deductible for tax purposes	**270**	337
Other	**8**	13
	5,290	7,994
Deferred income tax liabilities		
Securities	**(18,092)**	(16,181)
Property, plant and equipment	**(839)**	(944)
	(18,931)	(17,125)
Net deferred income tax asset (liability)	**(13,641)**	(9,131)

	2014 $	2013 $
Deferred income tax assets		
Recoverable after more than 12 months	**5,178**	7,901
Recoverable within 12 months	**112**	93
	5,290	7,994
Deferred income tax liabilities		
Payable after more than 12 months	**(18,931)**	(17,125)
	(18,931)	(17,125)
Net deferred income tax asset (liability)	**(13,641)**	(9,131)

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related tax benefit is probable. SaskCentral has non-capital loss carryforwards of $18,180 (2013 - $28,016) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the year 2028 ($5,437), 2030 ($11,167) and 2032 ($1,576). The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

in thousands of Canadian dollars

17. DEPOSITS

Provincial Liquidity Program

The Provincial Liquidity Program requires Saskatchewan credit unions to maintain deposits with SaskCentral based on 10% of credit union deposits and loan liabilities.

The maturity dates, and weighted average effective interest rates for SaskCentral's deposits are as follows:

	2014 $						
		Term to maturity					
	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Member							
Amortized Cost	84,650	-	-	-	-	-	84,650
Yield [(1)]	0.03%						0.03%
Provincial liquidity program							
Amortized Cost	-	68,518	224,470	902,566	-	505,424	1,700,978
Yield [(1)]		1.31%	1.36%	1.65%		1.14%	1.45%
	84,650	68,518	224,470	902,566	-	505,424	1,785,628
Accrued interest							5,088
							1,790,716

[(1)] *represents weighted average effective interest rates based on year-end carrying values*

	2013 $						
		Term to maturity					
	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Member							
Amortized Cost	151,138	-	-	-	-	-	151,138
Yield [(1)]	0.05%						0.05%
Provincial liquidity program							
Amortized Cost	-	89,509	185,984	639,378	-	696,938	1,611,809
Yield [(1)]		1.74%	1.50%	1.62%		1.19%	1.43%
	151,138	89,509	185,984	639,378	-	696,938	1,762,947
Accrued interest							4,027
							1,766,974

[(1)] *represents weighted average effective interest rates based on year-end carrying values*

Interest rates on deposits are determined by market conditions.

in thousands of Canadian dollars

18. LOANS PAYABLE

SaskCentral has available credit facilities related to securities repurchase agreements from National Bank Financial, Toronto Dominion Bank, Royal Bank of Canada and Bank of Nova Scotia. These repurchase agreements mature within one month (2013 – one month).

In addition, SaskCentral has a credit facility with Central 1 for $100,000 (2013 - $100,000) for which SaskCentral has pledged securities with the Bank of Canada to support the group clearing agreement (note 32). The balance of the credit facility is unsecured, ranking equally with the deposit obligations of SaskCentral. SaskCentral also has a secured credit facility with Canadian Imperial Bank of Commerce for $100,000 (2013 - $100,000) where SaskCentral is required to maintain a borrowing base comprised of fixed income collateral.

	Loans payable (1)		Collateral			
			Securities pledged			
			Fair value		Carrying value	
	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$
Repurchase payable	**57,651**	106,422	**57,647**	106,459	**57,096**	105,211
Central 1 line of credit	-	1,171	**316,651**	336,912	**315,872**	335,533
	57,651	107,593	**374,298**	443,371	**372,968**	440,744

(1) Weighted average effective interest rate based on year-end carrying values is 1.05% (2013 - 1.05%).

19. NOTES PAYABLE

SaskCentral is authorized to issue a maximum of $300,000 (2013 - $300,000) under a commercial paper program. Outstanding commercial paper matures within one month (2013 – one month) and at December 31, 2014 has a weighted average effective interest rate of 1.26% (2013 – 1.20%).

20. SUBORDINATED DEBENTURES

The Series One convertible subordinated debentures, $nil (2013 - $30,000) were issued January 31, 2001, are unsecured and subordinated to deposits and other liabilities of SaskCentral. Interest is payable at an annual rate set on January 1 of each year equal to the most recent average one-year treasury bill auction rate as announced by the Bank of Canada, plus 1.75% (2.73 % at December 31, 2014; 2.87% at December 31, 2013). These debentures qualify as Tier 2 capital. OSFI approved the request made by SaskCentral Board for the early redemption of the subordinated debentures effective January 31, 2014. Interest earned on the subordinated debentures was paid to the redemption date.

21. SHARE CAPITAL

Under the Act, SaskCentral is authorized to issue an unlimited number of membership shares.

Each member of SaskCentral must own at least one membership share and each member has one vote. The holders of membership shares are Saskatchewan credit unions and certain co-operative associations.

SaskCentral’s bylaws require credit unions maintain membership share capital in SaskCentral at 1% of their previous year’s assets. SaskCentral has the discretion to make this annual true-up in whole or in part. SaskCentral would not exercise this authority to require additional membership share capital contributions unless the SaskCentral capital plan indicated a projected borrowing multiple in excess of 15.0:1 in the subsequent year. In that case, SaskCentral would only exercise this authority to the extent that the required contribution would bring the projected borrowing multiple to 15.0:1 or to 1.0% of system assets, whichever was first met.

in thousands of Canadian dollars

21. SHARE CAPITAL (continued)

Membership shares may be redeemed only with the approval of the Board subject to the limits provided in the Act. The redemption price is determined with reference to the bylaws of SaskCentral. In accordance with the bylaws of SaskCentral, membership shares are to be issued and redeemed at $10 per share.

Issued share capital is comprised of 13,558,100 membership shares at December 31, 2014 (2013 – 13,238,500). Membership shares issued during the year were exchanged for cash.

22. DIVIDENDS

In 2014, dividends of $6,669 (2013 - $8,160) were declared, as approved by the Board. Two cash dividends were paid to credit unions in 2014. The first was in March for $3,300 (2013 - $2,545) and the second in November for $3,369 (2013 - in June for $5,615).

23. DUES

Dues, which are included in non-interest income, are used to fund various products and services designed for credit unions. Saskatchewan credit unions pay an annual dues assessment fee to SaskCentral based on a charge per membership (50% of the dues assessment) and a charge on assets (50% of the dues assessment).

24. FEE FOR SERVICE

	2014 $	2013 $
Consulting fees	**951**	939
Fee for service revenue	**17,217**	16,269
Foreign exchange revenue (expense)	**328**	(94)
Marketing and promotional sales	**617**	598
Miscellaneous revenue	**195**	190
Parking revenue	**295**	279
Tenant revenue	**4,001**	4,282
Unrealized and realized gains (losses) on foreign exchange	**121**	(86)
	23,725	22,377

25. SALARY AND EMPLOYEE BENEFITS

	2014 $	2013 $
Contributions to defined contribution plans	**618**	617
Employee training and development	**219**	198
Other employee benefits	**970**	824
Salaries and incentive compensation	**12,822**	13,332
	14,629	14,971

SaskCentral contributes annually to a defined contribution pension plan for employees. The contributions are held in trust by the Co-operative Superannuation Society and are not recorded in these consolidated financial statements. As a defined contribution pension plan, SaskCentral has no future obligation for future contributions to fund benefits to plan members.

in thousands of Canadian dollars

26. PROFESSIONAL AND ADVISORY SERVICES

	2014 $	2013 $
Concentra Financial consulting fees	**606**	673
Credit Union Central of Canada (CUCC) cost sharing	**1,180**	1,162
Professional fees	**5,459**	5,775
	7,245	7,610

27. COMPUTER AND OFFICE EQUIPMENT

	2014 $	2013 $
Depreciation	**607**	619
Computer processing and development	**3,192**	2,765
Maintenance	**20**	24
	3,819	3,408

28. OCCUPANCY

	2014 $	2013 $
Depreciation and amortization	**631**	671
Maintenance	**844**	895
Professional fees	**327**	329
Property taxes and utilities	**1,828**	1,662
	3,630	3,557

29. GENERAL BUSINESS

	2014 $	2013 $
Administrative and service costs	**2,723**	2,547
Insurance and licenses	**137**	173
Inventory and promotional supplies	**429**	399
Marketing and public relations	**393**	391
Printing, office supplies and telephone	**851**	561
Rental and meeting expense	**140**	116
Travel and entertainment	**655**	663
	5,328	4,850

in thousands of Canadian dollars

30. GAIN ON FINANCIAL INSTRUMENTS

	2014 $	2013 $
Realized gains on available-for-sale securities	1,093	1,434
Realized losses on available-for-sale securities	(41)	(572)
Unrealized gains on securities classified as held-for-trading	965	954
Realized loss on deposits	-	(71)
ABCP settlement received	-	731
	2,017	2,476

31. 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 of the key management personnel of SaskCentral. SaskCentral defines key management personnel as directors and the management positions of Chief Executive Officer, Executive Vice-President Finance / Chief Financial Officer / Chief Risk Officer, Executive Vice-President Credit Union Solutions / Chief People Officer, Associate Vice-President Finance, Associate Vice-President Market Solutions, Associate Vice-President Strategic Initiatives, and Associate Vice-President Government Relations and Compliance.

Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Related party loan balances are included with groups of loans with similar credit risk characteristics when assessing collective allowances. Balances and transactions between SaskCentral, its subsidiaries and jointly controlled entities, which are related parties of SaskCentral, have been eliminated on consolidation and are not disclosed in this note.

SaskCentral provides a variety of services to Concentra Financial, Credit Union Deposit Guarantee Corporation (CUDGC) and Celero Solutions. Some of the services provided include facility services, internal audit services, accounting and reporting services and financial services. SaskCentral also receives financial services from Concentra Financial and technology services from Celero Solutions.

The following table summarizes the balances outstanding at year end and related party transactions during the year not noted elsewhere in the consolidated financial statements for SaskCentral and its subsidiaries:

	2014 $	2013 $
CUDGC		
Lines of credit authorized to	12,000	12,000
Fair value of investments pledged against lines of credit	12,169	12,135
Deposits payable to	417	596
Due from included in trade and other receivables	12	-
Interest paid to	301	301
Fee for service revenue received from	699	751
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	4,093	4,409
Due from included in trade and other receivables	122	123
Due to included in trade and other payables	586	587
Interest received from	131	152
Fee for service revenue received from	1,078	1,363
Technology services paid to	3,310	2,800

in thousands of Canadian dollars

31. RELATED PARTY TRANSACTIONS (continued)

	2014 $	2013 $
Concentra Financial		
Lines of credit authorized to	100,000	100,000
Loans receivables from (amount drawn on line of credit)	11,072	-
Collateral received from	25,365	28,136
Due from included in trade and other receivables	34	171
Deposits payable to	2,817	70,897
Due to included in trade and other payables	6	34
Interest received from	96	75
Interest paid to	-	214
Fee for service revenue received from	1,179	1,374
Financial services fees paid to	606	804

Key Management Compensation

The aggregate compensation of key management personnel for SaskCentral and its subsidiaries during the year includes amounts paid or payable and is as follows:

	2014 $	2013 $
Directors		
Salaries and other short-term employee benefits	291	349
Post-employment benefits	11	12
	302	361
Key Management Personnel		
Salaries and other short-term employee benefits	2,244	2,414
Post-employment benefits	265	633
	2,509	3,047
	2,811	3,408

32. COMMITMENTS

The amounts reported as lines of credit and loan commitments, and letters of credit represent a maximum credit exposure to SaskCentral. Many of these contracts will expire without being drawn upon, thereby reducing SaskCentral's credit risk from the maximum commitment. SaskCentral earns minimal fees on commitments. SaskCentral has not issued any financial guarantee contracts.

	2014 $	2013 $
Lines of credit and loan commitments		
Original term to maturity of one year or less	446,887	387,111
Original term to maturity of more than one year	400,000	400,000
	846,887	787,111
Letters of credit and guarantees		
Original term to maturity of one year or less	36	36
	36	36

32. COMMITMENTS (continued)

Group Clearing Agreement

Under the group clearing agreement, SaskCentral guarantees and indemnifies the Group Clearer and each member of the Canadian Central group clearing agreement against any losses arising from the payment obligation for settlement drawn on or payable by SaskCentral and its member credit unions. In addition, SaskCentral and its member credit unions abide by the Canadian Payments Association's rules, bylaws and procedures for settlement.

33. SUBSIDIARY

SaskCentral owns 81.22% (2013 – 81.22%) of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral has control over CUVentures LP and CUVentures LP is consolidated into these financial statements. CUVentures LP principal place of business is Regina, Saskatchewan. CUVentures LP owns an investment in APEX Investment LP (APEX) on behalf of the credit unions, which SaskCentral consolidates and classifies as non-controlling interest in these consolidated financial statements. The credit unions have no voting rights in relation to the relevant decisions of CUVentures LP.

34. JOINT OPERATION

SaskCentral has a material joint operation, CUPS. SaskCentral has a 50% share in the ownership interest of CUPS. The remaining 50% interest is owned by Alberta Central. The CUPS joint operation was created to provide payment and support services to its members, specifically, services relating to the clearing and settlement of any payment items and services relating to the handling of foreign non-cash payment items. SaskCentral's earnings participation in CUPS is based upon the volume of Saskatchewan credit union payment activity as a percentage of the overall payment activity of CUPS. Capital contributions are shared equally with Alberta Central. CUPS' principal place of business is Calgary, Alberta.

35. SASKCENTRAL CONTINUANCE INITIATIVE

SaskCentral is seeking a change from provincial to federal incorporation. In 2011, the members of SaskCentral approved a special resolution authorizing SaskCentral to proceed with an application to the Minister of Finance (Canada) for Letters Patent of Continuance as an association under the *Cooperative Credit Associations Act*. The application was submitted to OSFI in July 2011. Discussions with OSFI continued into 2014.

As a federal association, SaskCentral would be positioned to work toward its long term direction, a nationally unified and internationally capable co-operative financial network. A federal association would provide an improved corporate structure that could be used to facilitate mergers or partnerships with other provincial centrals or credit union service providers, it could provide a national company with the scope and scale necessary to provide services to a federal credit union, and it would provide an open holding structure for substantial investment in other federal associations.

36. APPLICATION OF NEW AND REVISED IFRSs

In the current year, SaskCentral has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IAS 32, *Financial Instruments: Presentation*

SaskCentral has applied the amendments to IAS 32, *Financial Instruments: Presentation* (IAS 32), for the first time in the current year. These amendments clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. In order for offsetting to be applied, the entity has to have the right to pay or receive a single net amount in relation to the financial instruments, and intends to do so. Therefore, in effect, the entity only has a single financial asset or financial liability. If the conditions for offset are not met, the financial instruments are presented separately.

36. APPLICATION OF NEW AND REVISED IFRSs (continued)

The standard makes clear the characteristics that a currently legally enforceable right should have in order to off-set the financial assets and financial liabilities recognized in the consolidated financial statements. The right to off-set:

a) Must not be contingent on a future event; and

b) Must be legally enforceable in all the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

Assessing whether the entity has the legal right to set off the recognized amounts is independent from assessing how the reporting intends to settle the arrangement.

The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of amendments to IAS 32 does not result in any impact on profit or loss, OCI and total comprehensive income.

Application of IFRIC 21 Levies

On May 20, 2013, the IASB issued IFRIC 21, *Levies* (IFRIC 21), as an interpretation on the accounting for levies imposed by governments. SaskCentral has applied IFRIC 21 for the first time in the current year. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by the government that is made pursuant to legislation or regulation. Examples include non-reciprocal payments made to municipal, provincial, federal and foreign governments as well as payments made to regulators. Corporate income taxes and fines or penalties imposed for breaches of legislation are not within the scope of IFRIC 21.

IFRIC 21 has been applied retrospectively. The application of this interpretation has had no material impact on the disclosures or the amounts recognized in SaskCentral's consolidated financial statements.

37. COMPARATIVE INFORMATION

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

Dedicated to Credit Union Success

SaskCentral
2055 Albert Street
P.O. Box 3030
Regina, Saskatchewan
S4P 3G8
www.saskcentral.com