



SaskCentral
Annual Report

2021



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OUR VISION, PURPOSE, VALUES

OUR VISION

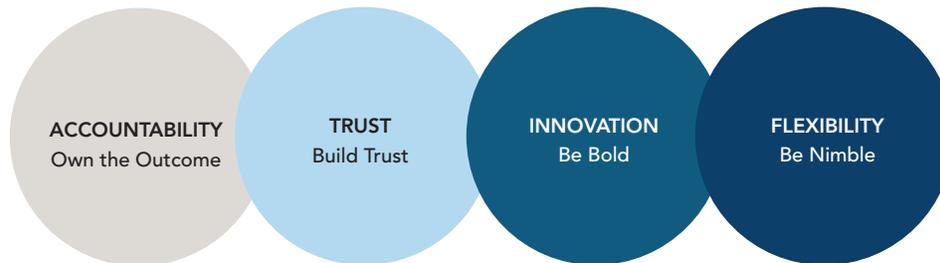
We are a trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024.

OUR PURPOSE

At SaskCentral, we lead wholesale services and transformation necessary for vibrant and sustainable credit unions.

OUR VALUES

SaskCentral follows four **Elevated Core Values**:



SaskCentral also subscribes to the core values on which co-operatives are based:

- Self-help: In co-operatives, people help each other whilst helping themselves by working together for mutual benefit.
- Self-responsibility: Individuals within co-operatives act responsibly and play a full part in the organization.
- Democracy: A co-operative will be structured so that members have control over the organization.
- Equality: Each member will have equal rights and benefits according to their contribution.
- Equity: Members will be treated justly and fairly.
- Solidarity: Members will support each other and other co-operatives.

In the tradition of co-operative founders, SaskCentral believes in the ethical values of:

- Honesty
- Openness
- Social responsibility
- Caring for others

LETTER FROM THE CHAIR AND THE CEO



The past year has been one of intentional change for SaskCentral as we advanced our transformational journey with the launch of Enterprise Strategy 2024. This strategy lays out the roadmap to achieve our Vision of being “a trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024.”

The multi-year strategy comes to life through three successive Missions – Ignite (2021), Accelerate (2022), and Elevate (2023). Spanning each of these missions are the strategic pillars of Operational Excellence, Stakeholder Impact and Engagement, and Engaged People. Articulated within the strategy are building blocks, goals, and actions critical for SaskCentral in navigating the rapidly evolving financial services environment. Transforming our business to meet the needs of credit unions we serve is at the heart of each mission. A key consideration in this transformation is the return of capital to credit unions to support their growth strategies.

In 2021, we completed Mission 1 – igniting our passion to serve credit unions with focused action, courageous conversations, and strategic clarity that align to our vision – with a focus on advancing action within six key areas:

- Statutory liquidity management
- Payments, clearing and settlement
- Strategic investments
- Discretionary services
- Governance
- People and Culture

Highlights of our achievements include the following: (See the Strategy section of this report for full details.)

- An agreement for Equitable Bank to acquire SaskCentral’s entire interest in Concentra Bank.
- Agreements negotiated with the Bank of Canada for use of the Standing Term Liquidity Facility and Emergency Lending Assistance with Saskatchewan credit unions.
- Regulatory engagement to implement recommendations for statutory liquidity quantum and geography.
- Market outreach commencement for the sale of National Consulting.
- Significant progress to transition credit unions to a new Payments as a Service (PaaS) platform.
- Participation with the other Prairie Centrals on a project to explore opportunities to enhance and optimize the Prairie credit union payments, technology and support services ecosystem.
- Meeting or exceeding targets for financial measures.

At the heart of achieving our goals is our people, and continued employee engagement was a priority, with clear and consistent communications on Enterprise Strategy 2024. Throughout the year, our staff demonstrated our elevated Core Values of Accountability, Trust, Innovation and Flexibility, as we launched several projects and implemented organizational structure and role changes to support our future direction.

In 2021, the credit union sector continued to grow with Saskatchewan credit unions assets totaling \$27.45 billion, an increase of \$0.94 billion over 2020, and a membership of more than 490,000, 4,000 higher than the prior year.

**LETTER FROM THE
CHAIR AND THE CEO**

As we look to next year and beyond, change and opportunity will continue to emerge with payments modernization, technological advancements, evolving regulation, and elevated consumer expectations. We know credit unions will respond with the relevant and values-based solutions needed to best serve their members. SaskCentral will remain committed to our transformation so we can enable credit unions on this journey by fulfilling our ultimate Purpose - *"to lead wholesale services and transformation necessary for vibrant and sustainable credit unions."*



Shawn Good,
CEO



Mark Lane,
Chair

CORPORATE PROFILE

SaskCentral is the liquidity manager and key consulting service supplier for Saskatchewan credit unions. SaskCentral also maintains business relationships with, and investments in, a number of entities on behalf of Saskatchewan credit unions, including Concentra Bank (operating under the trade name Wyth Financial), Prairie Payments Joint Venture (PPJV), CU CUMIS Wealth Holdings LP (CUC Wealth) and Celero Solutions.



CORPORATE PROFILE

Liquidity Management

SaskCentral manages liquidity on behalf of Saskatchewan credit unions directly and through strategic investments. By aggregating statutory liquidity deposits, SaskCentral facilitates clearing and settlement, provides credit facilities that support daily cash flow management, coordinates emergency liquidity support and provides investment management services.

Statutory Liquidity Deposits

By regulation, credit unions hold 10% of their deposits with SaskCentral. These are known as statutory liquidity deposits. For investments backing deposits, SaskCentral invests in liquid assets, which support clearing and settlement, daily cash flow management and emergency liquidity.

Credit unions select from a variety of term options and interest options for their statutory liquidity deposits, which are structured to provide credit quality options that align with Credit Union Deposit Guarantee (CUDGC) Liquidity Adequacy Requirements.

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.

The PPJV manages the daily clearing and settlement operations for credit unions. Settlement operations include processing of Interac e-Transfer, wires, cheque, AFT and bill pay. Daily balances are cleared through SaskCentral; the net Saskatchewan cash flow is aggregated with other provinces and the national net amount is settled with the Bank of Canada.

At the national level, Payments Canada sets the requirements for accessing the Bank of Canada and outlines roles and responsibilities. Credit union centrals are represented by one central, Central 1, which acts as the

Group Clearer. A Group Clearing Joint Venture (GCJV) oversees the functioning of the Group Clearer and consists of representatives from Central 1, Alberta Central, SaskCentral and Credit Union Central of Manitoba (CUCM).

Through the GCJV, credit unions access the Lynx system for high-value payments and the Automated Clearing and Settlement System for batch 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 an overnight account, a line of credit, and cash services.

SaskCentral provides credit unions a line of credit for normal liquidity needs and bridge financing for unexpected liquidity requirements. In addition, credit unions may access commercial paper markets by leveraging SaskCentral's commercial paper program, which is supported by SaskCentral's investment grade rating of R1-low with DBRS Morningstar. Credit unions are also provided access to a Short Term Repo Facility, which provides short term funding of up to 14 days.

SaskCentral funds these products and services by using a variety of 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. In addition, SaskCentral maintains a line of credit with a major Canadian bank and has access to the Bank of Canada's Standing Term Liquidity Facility (STLF).

CORPORATE PROFILE

Emergency Liquidity Support

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

Emergency funding is both sufficient and available. Sufficiency is demonstrated through liquidity coverage stress testing whereby potential credit union outflows are evaluated against funding sources. In normal times, funding sources include repurchase agreements, the commercial paper program, the STLF, and an unsecured line of credit. In an emergency, these sources are augmented by SaskCentral's stock of High Quality Liquid Assets (HQLA).

Availability of emergency funding is evaluated by examining the underlying characteristics of HQLA. Fundamental characteristics include credit standing, degree of subordination and duration. 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.

Concentra Bank

Concentra Bank offers additional products to aid liquidity management, including a line of credit, an overnight account and the ability to sell commercial loans to other credit unions through Concentra Bank's syndication program. Concentra Bank also provides guidance and administrative support for mortgage securitization.

Credit unions may place excess funds above their statutory liquidity deposits with Concentra Bank. These are referred to as excess deposits.

National Consulting Services

The SaskCentral National Consulting team supports credit unions in creating, designing and implementing sustainable solutions so credit unions can focus on their members. Our wide range of consulting services include:

- **Anti-Money Laundering Compliance Support**
Helps credit unions comply with Anti-Money Laundering and Terrorist Financing Compliance with a customizable approach where we will assist the compliance officer or act as the compliance officer.
- **Banking and Related Services**
Assists credit unions with contract negotiations, legal reviews, invoicing, and monitoring service levels for the eroWORKS® Retail Banking Solutions.
- **Card Issuance Services**
Provides support and management services to credit unions using Everlink Card Issuance for Member Card® debit card production; includes assistance with billing, card inventory, debit card carrier letters and PIN station compliance.
- **Deposit & Lending Compliance**
Provides credit unions with reliable and comprehensive legislative and compliance support of deposit and lending products.
- **Digital Banking Services**
Positions credit unions to offer the latest digital banking solutions by providing business management services, support and oversight.
- **Fraud Management**
Provides leadership in coordinating, developing and delivering fraud awareness information, enhancing the credit union's ability to effectively manage fraud.
- **Internal Audit**
Supports credit unions with effective internal audit services customized specifically for credit unions.

- **Operational Training**

Provides educational sessions designed to equip credit union staff with the skills to be successful in today's competitive environment.

- **Procurement Services**

Supports credit unions by finding scalable and customizable software solutions, using a consistent methodology to determine the best solution to meet the needs of members, while reducing duplication.

- **Strategic Planning & Risk Management**

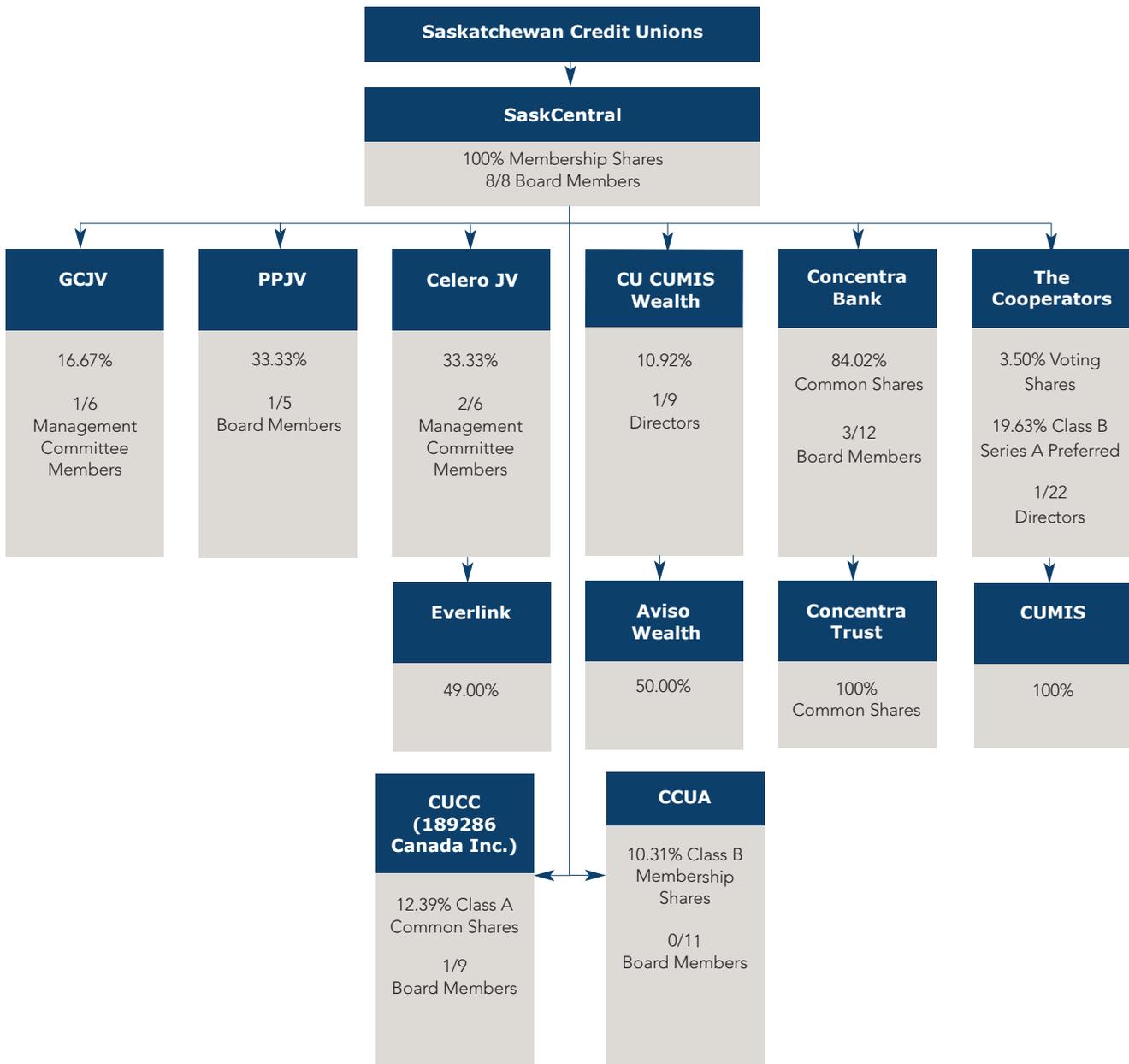
Helps credit unions with effective planning and risk management using an integrated framework that is customized and scalable to the credit union's needs.



CORPORATE PROFILE

Strategic Partners

SaskCentral holds an ownership position in strategic partners as a means of ensuring access to the products and services Saskatchewan credit unions need to provide full service to their members. SaskCentral's ability to influence investee strategies is tied to its ownership interest in the investee.



CORPORATE PROFILE

Concentra Bank

Share ownership by SaskCentral: 84.0%

Concentra Bank is Canada's only Schedule 1 chartered bank focused on providing financial services to Canada's credit union system.

Exclusively owned by credit unions, Concentra partners with credit unions to deliver wholesale and trust financial services focused on enhancing credit unions' competitive advantage and success. Concentra provides a comprehensive suite of financial and commercial banking services nationwide to credit unions, corporate clients, and deposit agents.

With deep roots in the cooperative system, Concentra is built on shared values and its commitment to the success of credit unions from coast to coast.

PPJV

Share ownership by SaskCentral: 33.3%

The PPJV was formed effective January 1, 2020, to administer the outsourcing of payments processing capabilities with IBM Canada Ltd, previously performed within Credit Union Payment Services (CUPS). The PPJV provides payment and related support services to its owners Alberta Central (33.3%), SaskCentral (33.3%), and CUCM (33.3%).

The PPJV provides credit union members with access to the most efficient, cost-effective modernized payments processing infrastructure through IBM's Payments-as-a Service (PaaS) platform.

Celero Solutions

Share ownership by SaskCentral: 33.3%

Celero Solutions is a joint venture between Alberta Central, CUCM and SaskCentral. Celero provides reliable, innovative and cost-effective information technology solutions to its owner organizations, prairie credit unions and third party clients. Celero owns 49% of Everlink Payment Services Inc.

CUC Wealth

Share ownership by SaskCentral: 10.9%

Aviso Wealth, which is owned by CUC Wealth (50%) and Desjardins (50%), supports credit unions in meeting the wealth needs of their members by integrating wealth management services across Canada. The broadly based wealth management business is positioned to compete, provide wealth management products and services for members, enable and enhance member experience, and allow credit unions to take advantage of growth opportunities.

The Co-operators Group Limited

Share ownership by SaskCentral: 3.5%

The Co-operators is a 100% Canadian-owned and operated company. 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.

The Co-operators owns CUMIS, which partners with credit unions to deliver a wide range of insurance, wealth management and investment services.

Canadian Credit Union Association (CCUA)

Share ownership by Saskatchewan Credit Unions

(Class A): 17.0%

Share ownership by SaskCentral (Class B): 10.3%

CCUA is the national trade association that provides services to Canada's credit unions, caisses populaires (outside Quebec), and regional credit union central organizations. CCUA is distinct in its commitment to cooperative values and is the first national credit union-governed organization in Canada.

CUCC (legal name 189286 Canada Inc.)

Share ownership by SaskCentral: 12.4%

CUCC provides payments support and specific activities in Interac to the national credit union system.

CORPORATE PROFILE

GCJV

Joint venture participation by SaskCentral: 16.7%

Group Clearing is a joint venture of SaskCentral, Central 1, Alberta Central and CUCM that provides governance and oversight to group clearing strategies, activities, and risks on behalf of credit unions across the country.

Business Models

Business models of SaskCentral and investees fall on a spectrum from low profit (service utility) to profit maximization.

Service utility models recognize that profits come from credit unions in the form of lower deposit rates, higher assessments or higher fees. As long as capital and liquidity are adequate, the organization strives to maximize rates paid to credit unions and minimize assessments and fees charged to credit unions. Pricing of products and services is just sufficient to cover operating costs. SaskCentral has adopted a service utility business model.

Governance

Governance processes balance investee needs to operate within their own environment with credit union needs as users and owners. SaskCentral's ability to influence investee strategies is tied to its ownership interest in the investee.

SaskCentral's leadership team is represented on the Celero management committee, Everlink Board, CUCC Board, GCJV management committee and CUC Wealth Board. SaskCentral's executive is also engaged with Concentra Bank through management meetings and participation in joint working groups. Saskatchewan credit unions are represented on Concentra's Board, Celero Solution's management committee, and the PPJV. Together, these representations provide opportunities to engage strategic investees where credit union concerns are identified (e.g., service, profitability).

SaskCentral provides updates to the board on investees' performance. Occasionally, investees present to the SaskCentral Board at quarterly board meetings.

How Investee Earnings Are Distributed to Credit Unions

PPJV: PPJV's earnings/losses are included in SaskCentral's net earnings.

Co-operators Group Limited: Patronage dividends based on credit union usage are paid to SaskCentral and are included in SaskCentral's net earnings. Preferred Class B Series A shares pay 5.0% and are received annually. The member loyalty payment is received annually and can fluctuate significantly, based on the earnings of Co-operators Group.

Concentra Bank: Net earnings or losses are retained by SaskCentral through an equity position and are not distributed to credit unions. Concentra's cash dividend is flowed through to credit unions as determined by the SaskCentral Board of Directors.

Celero Solutions: Everlink returns of capital are flowed through from Celero to SaskCentral and then to credit unions. Celero's earnings or losses are included in SaskCentral's net earnings. Any distributions received from Celero are passed through to credit unions as determined by the SaskCentral Board of Directors.

CUC Wealth: Agreements with Aviso Wealth require that at least 90% of the earnings must be flowed through to credit unions. CUC Wealth has, at its discretion, the ability to flow through the remaining earnings to its owners. Any earnings received from CUC Wealth are included in SaskCentral's net earnings.

Central 1: SaskCentral has invested \$7 million in subordinated debt with Central 1 for the purpose of capitalizing the GCJV to support clearing and settlement activities. Subordinated debt interest is included in SaskCentral's net earnings.

EXECUTIVE TEAM

**Shawn L. Good, CEO**

- Joined SaskCentral: January 2021
- 25 years financial services and credit union experience
- Past Employers: Prospera Credit Union, Conexus Credit Union, Good Direction Consulting, Kindred Credit Union
- Executive MBA, Queen's School of Business
- ICD.D designation, Institute of Corporate Directors
- Member: Celero Joint Venture, CUCC Services Board of Directors, Everlink Board of Directors

**Duane Blahun, Chief Transformation Officer**

- Joined SaskCentral: August 2019
- Past Employers: Credit Union Central Alberta Ltd, CUPS Payment Services, CIBC/Intria Items Inc., ATB Financial
- Queens University Executive Program
- Directors Leadership Institute - Certified Credit Union Director, Rotman School of Management, University of Toronto
- Business Administration Honours Diploma, Northern Alberta Institute of Technology
- Member: CCUA Government Relations Advisory Committee, Prairie Payments Joint Venture Transition Management Board (SaskCentral appointed observer)

**Stephen Fitzpatrick, Chief Financial Officer and Chief Risk Officer**

- Joined SaskCentral: September 2021
- Past Employers: Exchange Bank of Canada/Currency Exchange International, Canadian Credit Union Association, Capital Planning Solutions Inc. CIBC
- MBA, Accounting and Finance, University of Western Ontario - Richard Ivey School of Business; Bachelor of Business Administration (BBA), Accounting, University of Prince Edward Island
- ICD.D designation, Institute of Corporate Directors; CPA (CGA) designation, Chartered Professional Accountants of Ontario
- Director: Interac Association/Acxsys Corporation, Concentra Financial Services Association/Concentra Bank
- Chair: Interac Association
- Member: Group Clearing Joint Venture Management Committee
- Member: Project Evolution Working Group

**Greg Willner, Head of Governance & Legal**

- Joined SaskCentral: November 2021
- Past Employers: Farm Credit Canada
- Law Degree, University of Saskatchewan; Certificate in Regulatory Compliance & Legal Risk Management for Financial Institutions, Osgood Hall Law School, York University

**Jennifer Uhren, Head of Corporate Services**

- Joined SaskCentral: March 2004
- 20+ years business experience with specialization in the Human Resources Field
- Bachelor of Commerce Degree, University of Calgary
- Chartered Professional in Human Resources designation (CPHR)
- Human Capital Management Certificate, Queen's School of Business

SASKATCHEWAN CREDIT UNION PERFORMANCE

SaskCentral is owned by Saskatchewan's credit unions. As their liquidity manager and key consulting service provider, SaskCentral helps Saskatchewan credit unions meet their own targets for success.

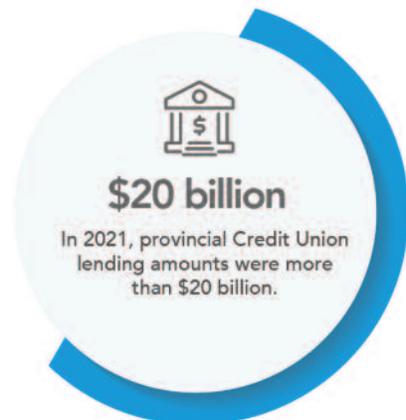
Through their work to help meet the financial services needs of Saskatchewan businesses, consumers and agriculture producers, credit unions have a significant impact on the provincial economy. They also help advance the well-being of their members by returning profits with patronage, and contribute to the community through donations, scholarships and other initiatives.



SASKATCHEWAN CREDIT UNION PERFORMANCE

FACTS

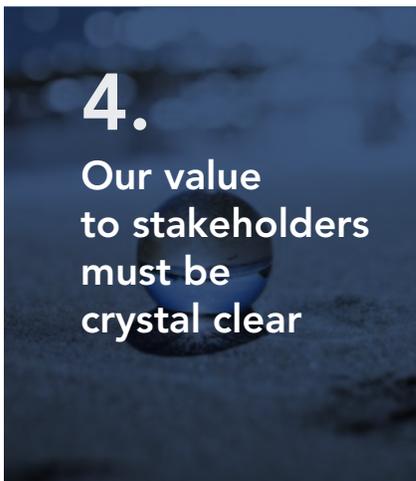
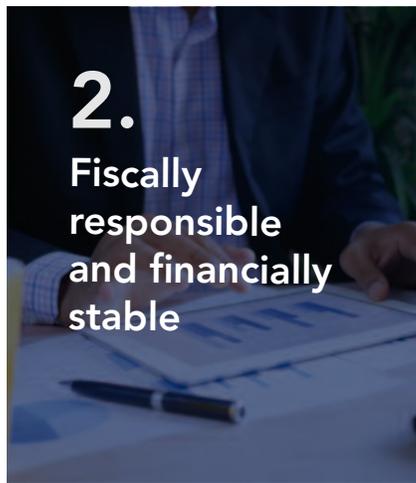
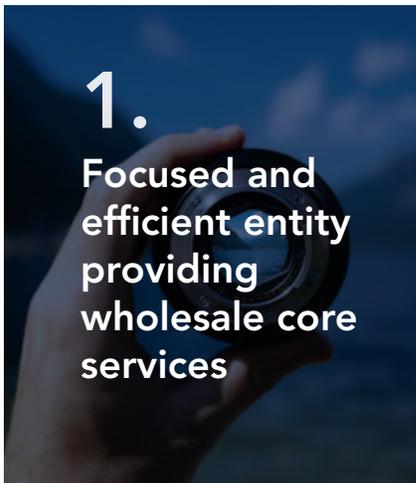
- As of January 1, 2022, there were 35 credit unions in Saskatchewan serving 205 communities through 232 service outlets.
- Out of 1.18 million people in Saskatchewan (as of Oct. 1, 2021, Government of Saskatchewan Dashboard), more than 490,000 are members of a credit union, and close to 70,000 non-members do business with a credit union, which combined is more than 47% of the population.
- In 2021, Saskatchewan credit unions had assets of \$27.45 billion with revenue of more than \$1.03 billion.
- Credit unions contribute approximately \$600 million in economic impact to Saskatchewan annually and, in 2021, employed close to 3,400 people, providing salaries and benefits close to \$328 million.
- In 2021, provincial credit union lending amounts were \$20 billion. Saskatchewan credit unions maintain approximately 42% of the SME market (CFIB Research Snapshot, December 2019) and are a critical source of loans and mortgages for small and medium sized business.
- In 2021, Saskatchewan credit unions returned close to \$7.75 million to their members in the form of patronage equity contribution and dividends.
- On average, credit unions in Saskatchewan donate 4.6% of pre-tax income in charitable donations and sponsorships to local community organizations, well above the recognized banking industry standard of 1% or less.
- In the annual 2021 Ipsos® Financial Service Excellence Awards, credit unions were ranked 1st among all financial institutions in providing Customer Service Excellence for the 17th year in a row.



STRATEGY

In 2021, SaskCentral launched Enterprise Strategy 2024, which laid out a three-year roadmap to achieve our Vision: *We are a trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024.* Enterprise Strategy 2024 includes three missions representing each year of the strategy. In 2021, our mission was to ignite and unleash our passion to serve credit unions into focused action, courageous conversations, and strategic clarity that align to our Vision. The strategy includes six building blocks and priorities within each. Our measures and targets indicate progress towards achieving our Vision.





STRATEGY

1. Building Block: Statutory Liquidity Management

Statutory liquidity management and credit facilities is a core service and part of SaskCentral's envisioned future state. We need to deliver this service in a way that best meets member credit union changing needs. This means providing greater flexibility to evolve their business models, further strengthening safety and stability in the system, and taking advantage of the opportunities provided by the Payments Canada Modernization initiative.

In 2021, we:

- Requested decisions from CUDGC regarding our recommendations for changes to statutory liquidity quantum (amount) and geography (location, meaning the possibility for credit unions to self-manage at least a portion of their statutory liquidity), which CUDGC presented to its board.
- Negotiated agreements with the Bank of Canada for use of the Standing Term Liquidity Facility and Emergency Lending Assistance with Saskatchewan credit unions.

2. Building Block: Payments, Clearing and Settlement

Like statutory liquidity management and credit facilities, payments, clearing and settlement is a core service that is part of SaskCentral's envisioned future state. The evolving payments environment is a key catalyst within our strategy. Adaptations will be required to address future infrastructure needs, capabilities and connections to support this foundational aspect of credit union business.

SaskCentral has a role in connecting credit unions to the payments ecosystem by providing access to payments transaction processing and clearing and settlement through joint venture relationships. Additionally, we will assist them in understanding the impacts of the Payments Canada Modernization initiative so they can be positioned to respond.

In 2021:

- Significant progress was made to transition credit unions to the new payments platform, with 35 of 36 Saskatchewan credit unions executing the Prairie Payments Joint Venture Master Participation Agreement.
- Nineteen credit unions were onboarded onto the new e-Transfer solution.

3. Building Block: Strategic Investments

SaskCentral holds investments on behalf of Saskatchewan credit unions and must make appropriate decisions about those investments. This includes determining strategies for investments that directly support SaskCentral's core wholesale service delivery functions. Assessments are also required to understand which are appropriate to be owned via SaskCentral, versus those that provide discretionary wholesale services to credit unions and are appropriate to be owned and controlled directly by credit unions.

In 2021, we:

- Hired external advisory teams to assist with the divestiture of Concentra Bank, leading to an agreement for Equitable Bank to acquire SaskCentral's entire interest in Concentra Bank.
- Worked with the other prairie centrals to explore opportunities to enhance and optimize the prairie credit union payments, technology and support services ecosystem.
- Engaged in securing new tenants for our building and maximized available space for lease.

4. Building Block: Discretionary Services

Our business model must align to the strategic direction and future of SaskCentral. We want to align services with SaskCentral's future state and limited core wholesale focus. As part of Enterprise Strategy 2024, National Consulting is being separated from SaskCentral to position the business in a way that is more conducive for growth and success, and provide a greater value aligned with credit union needs.

In 2021, we:

- Completed a stakeholder assessment, and developed and initiated a communication plan.
- Prepared market engagement materials.
- Initiated market outreach.

5. Building Block: Governance

SaskCentral's governance structure is based on a legacy environment that does not align to our future state. As SaskCentral implements change to better serve Saskatchewan credit unions, we need to transform governance as well.

In 2021, we:

- Developed preliminary guiding principles, options for a governance framework and a stakeholder engagement plan.

6. Building Block: People and Culture

We envision SaskCentral having a high performing and innovative workforce with empowered leaders equipped with the right mix of knowledge, skills, leadership and execution behaviours to enable excellence in delivery of our core services. To achieve this, SaskCentral has embarked on a multi-year journey to evolve its culture, leadership, competencies and reinforcing structures (organizational and other small "governance" structures) to ensure alignment to our future state.

In 2021, we:

- Launched Enterprise Strategy 2024 and a supporting change management plan.
- Implemented leadership and organizational structure changes.
- Identified elevated core values.

CORPORATE GOVERNANCE

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



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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



Mark Lane, Chair

Elected to SaskCentral Board of Directors in 2013
CEO, Affinity Credit Union
Term expires: 2023



Mitchell Anderson

Elected to SaskCentral Board of Directors in 2014
Director, Affinity Credit Union
Term expires: 2025



Gilles Colbert

Elected to SaskCentral Board of Directors in 2009
Retired Manager, Unity Credit Union Limited
Director, The Co-operators
Term expires: 2023



Neil Cooper

Elected to SaskCentral Board of Directors in 2018
Chief Financial Officer, Conexus Credit Union
Term expires: 2024



Tim Goddard

Elected to SaskCentral Board of Directors in 2014
Past CEO, Rockglen-Killdeer Credit Union
Term expires: 2024

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.



Doug Jones

Elected to SaskCentral Board of Directors in 2020
CEO, Cornerstone Credit Union
Term expires: 2023



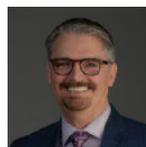
Ian McArthur

Elected to SaskCentral Board of Directors in 2021
Chief People & Governance Officer,
Innovation Credit Union
Term expires: 2024



Annette Revet

Elected to SaskCentral Board of Directors in 2018
Chief Transformation Officer, Conexus Credit Union
Term expires: 2025



Russ Siemens

Elected to SaskCentral Board of Directors in 2014
Director, Innovation Credit Union
Term expires: 2021

CORPORATE GOVERNANCE

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 as well as Internal Audit.

Director	Per Diem Direct	Per Diem CU	Honorarium Direct	Honorarium CU	Other Compensation	Total
Mitchell Anderson	7,438	–	8,100	–	3,852	19,390
Mark Lane	–	9,202	25,000	–	2,099	36,301
Gilles Colbert	6,313	–	8,100	–	4,668	19,081
Neil Cooper	–	7,306	–	8,100	1	15,407
Tim Goddard	6,375	–	8,100	–	3,948	18,423
Doug Jones	5,875	–	8,100	–	1,279	15,254
Russ Siemens	1,688	–	2,700	–	1,492	5,880
Ian McArthur	4,469	–	5,738	–	4,403	14,610
Annette Revet	–	6,675	–	8,100	–	14,775
Total:	32,158	23,183	65,838	16,200	21,742	159,121

Board Attendance	Meetings Attended
Mitchell Anderson	11/11
Mark Lane	11/11
Gilles Colbert	11/11
Neil Cooper	11/11
Tim Goddard	11/11
Doug Jones	10/11
Russ Siemens*	3/11
Ian McArthur**	9/11
Annette Revet	11/11

*Ceased being a director on April 21, 2021

**Commenced being a director on April 21, 2021

Meetings Referenced Above	
Board	4
AGM	1
Planning/Development	4
Special Board	4

Note: Any meetings held by special committee of SaskCentral have not been reported on.

Board Evaluation

Evaluations are periodically conducted to ensure board operations are efficient and adhere to the highest standards of integrity. The board conducts an on-going cycle of self-evaluations, board and committee evaluations and peer evaluations.

The board also maintains a director development policy aimed at providing resources to support ongoing personal development.

Code of Conduct

A written code of ethical business conduct has been adopted by the board to guide director 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.

CORPORATE GOVERNANCE

Whistle Blower Policy

The SaskCentral whistleblower policy states that all SaskCentral employees and directors 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. The CEO position profile was reviewed and updated in 2020. A CEO performance plan is developed and evaluated based on the position description, business plan and balanced scorecard.

COMMITTEES

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, the 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.

Audit & Risk Committee	Meetings Attended
Mitchell Anderson (Chair)	4/4
Gilles Colbert	4/4
Neil Cooper	4/4
Mark Lane	4/4
Doug Jones	4/4

Governance, Human Resources 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.
- Reviews SaskCentral's human resources strategy and initiatives, human resources policies and programs, and oversees CEO performance management and compensation processes.
- 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.

Governance, HR & Conduct Review Committee

Meetings Attended

Annette Revet (Chair)	4/4
Tim Goddard	4/4
Mark Lane	4/4
Russ Siemens	1/4
Ian McArthur	3/4

CO-OPERATIVE SOCIAL RESPONSIBILITY

Co-operative social responsibility (CSR) is of ongoing importance to SaskCentral and to credit unions. With its emphasis on organizational behavior that benefits society, the economy and the environment, CSR is a natural fit with SaskCentral as a financial co-operative. SaskCentral conducts CSR activities under its own *It All Adds Up* program. Our CSR strategy links to our corporate values and business plan and, more importantly, aligns with the plans and priorities of our key stakeholders – credit unions, employees and the community.



CO-OPERATIVE SOCIAL RESPONSIBILITY



CREDIT UNIONS

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

In 2021, we continued to provide value to credit unions by managing our operating expenses to ensure the ongoing stability of operations.

EMPLOYEES

SaskCentral encourages and supports volunteerism among staff with a company policy allowing employees up to three paid days per year to serve in volunteer activities. Due to COVID-19, the number of people able to take advantage of this policy was lower than previous years; however, 17% of employees still donated 133 hours of their time.

Creating a safe, comfortable and environmentally friendly workplace is also a priority. In 2020, SaskCentral renewed its BOMA BEST silver certification and held the credential through 2021. BOMA BEST® is a national green building certification program which assesses 10 key areas of environmental performance and management:

- ✓ Energy
- ✓ Water
- ✓ Air
- ✓ Comfort
- ✓ Health and Wellness
- ✓ Custodial
- ✓ Purchasing
- ✓ Waste
- ✓ Site
- ✓ Stakeholder Engagement



COMMUNITY

As a co-operative, SaskCentral upholds the principle of giving back to the community. In 2021, the organization donated over \$65,000 to local charities and non-profit organizations through financial contributions, volunteer hours and in-kind donations.

Employees were also encouraged to take advantage of SaskCentral's Building Communities Grant program, which allows each employee to name a charity or non-profit of their choice to receive a donation of \$300. In 2021, we donated \$22,200 to 34 Saskatchewan community organizations.

UNDERSTANDING SASKCENTRAL'S FINANCIAL STATEMENTS

In 2022, SaskCentral has again prepared two sets of financial statements in order to enhance transparency of its operations, support accountability and to offer two different views of SaskCentral's operations and results.



UNDERSTANDING SASKCENTRAL'S FINANCIAL STATEMENTS

SASKCENTRAL'S SEPARATE FINANCIAL STATEMENTS

The purpose of the separate statements is to isolate SaskCentral's earnings, assets, liabilities and cash flows from those of its subsidiaries. The separate financial statements do not consolidate its subsidiary, Concentra Bank. Instead, these statements account for all SaskCentral's downstream investees using the equity method of accounting.

SASKCENTRAL'S CONSOLIDATED FINANCIAL STATEMENTS

The purpose of the consolidated statements is to illustrate SaskCentral's results consolidated with results of its subsidiary corporations. The financial statements are prepared in accordance with International Financial Reporting Standards and include:

- Financial results of subsidiary (Concentra Bank).
- Financial results of SaskCentral's investments in associates using the equity method of accounting (Celero Solutions and CUC Wealth).
- The proportionate financial results of SaskCentral's joint operation Prairie Payments Joint Venture.

Consolidated earnings represent the total earnings of SaskCentral, taking into consideration the elimination of all inter-entity transactions (i.e. revenues and expenses between SaskCentral and its subsidiary and dividends paid by SaskCentral's strategic investments to SaskCentral).

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

The purpose of the following discussion is to provide the users of SaskCentral's financial statements with an overview of its financial performance and the various measures SaskCentral uses to evaluate its financial results.

This section of the annual report provides the separate results of SaskCentral and should be read in conjunction with the audited separate financial statements and notes as at and for the year ended December 31, 2021. SaskCentral's separate financial statements do not consolidate the activities of its subsidiaries.



SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

The separate financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is dated March 2, 2022 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 and 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, alignment of strategies of potential partners, 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 the liquidity manager, clearing and settlement access provider, and key consulting service supplier for Saskatchewan credit unions. Through strategic leadership, liquidity management and a wide range of products and services, SaskCentral helps Saskatchewan credit unions meet their own targets for success. SaskCentral maintains business relationships with, and investments in, a number of co-operative entities, including Concentra Bank (operating under the trade name Wyth Financial), Prairie Payments Joint Venture (PPJV), Celero Solutions and CU CUMIS Wealth Holdings LP (CUC Wealth).

ECONOMIC OVERVIEW

While the COVID-19 pandemic continued throughout 2021 with novel variants and ongoing shutdowns, the Canadian economy rebounded significantly supported by government support programs and increased housing investment. Canada's real Gross Domestic Product (GDP) growth is expected to be +5.8% for 2021, a reversal of the -5.5% contraction seen in 2020. Interest rates remained low with the Bank of Canada holding the overnight rate at 0.25%.

The 2022 outlook is expected to be a year of transition as policy makers step back from providing stimulus as unemployment rates have returned to a normal range and high inflation has been more persistent than expected. GDP growth is expected to slow down to 4.0% in 2022 and 3.5% in 2023 as the Bank of Canada is expected to lift rates to control inflation.

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

SASKATCHEWAN CREDIT UNION PERFORMANCE

SaskCentral manages liquidity on behalf of Saskatchewan credit unions and SaskCentral's financial strength is built upon the financial strength of Saskatchewan credit unions, which are financially sound.

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

CUDGC was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, CUDGC contributes to confidence in Saskatchewan PRFIs. For more information about CUDGC's regulatory and deposit protection responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult their website at <http://www.cudgc.sk.ca>.

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

Results Overview

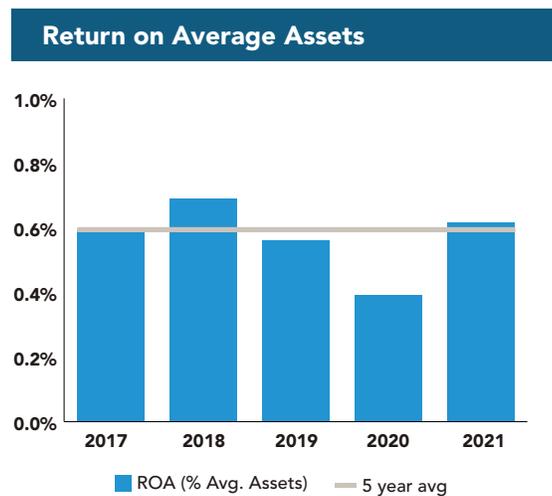
The financial performance of Saskatchewan credit unions is summarized below based on the following key performance indicators: profitability, capital, growth, liquidity risk, credit risk and interest rate risk.

COVID-19 Impact on Credit Union Results

Credit unions continue to navigate through these uncertain times. Earnings and capital were higher than projected during 2021 while liquidity levels remain appropriate, continuing to trend above regulatory minimums. Deposit and asset growth exceed expectations, while loan growth rebounded in 2021. Given the uncertainty over the future of the pandemic, Saskatchewan credit unions are strong and resilient, and CUDGC is confident in the continued stability of the system.

Profitability

In 2021, credit unions reported earnings of \$163 million (2020 - \$112 million) for a return on average assets of 0.61% (2020 - 0.44%). Continued operational prudence has allowed credit unions to contain expenses and margins improved from 2020 as deposit rates fell more than loan yields in 2021.



SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

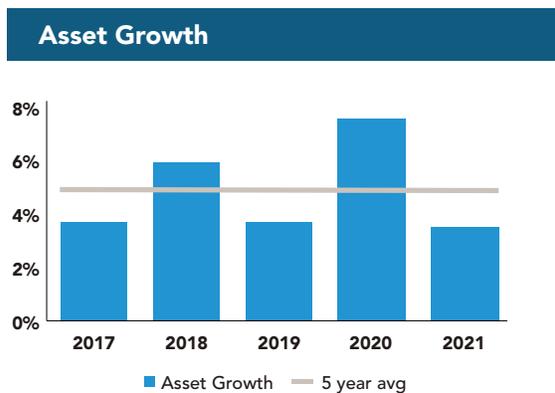
Capital

Strong earnings and modest growth resulted in total eligible capital, as a percentage of risk-weighted assets (RWA) increasing to 15.2% from 14.9% in 2020. Credit union capital is well above the current regulatory minimum of 10.5%.



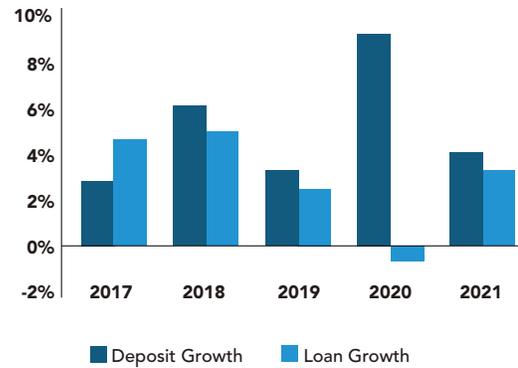
Growth

Assets grew by 3.5% to \$27.5 billion (2020 – 7.2% to \$26.5 billion). Asset growth exceeded expectations in the fourth quarter. However, it is recognized that growth ultimately remains dependent on the strength of the economic recovery.



Loans grew 3.4% to \$20.0 billion (2020 – contraction of 1.1% to \$19.4 billion) and deposit growth increased 4.8% compared to 9.4% in 2020.

Deposit/Loan Growth



Liquidity Risk

The Liquidity Coverage Ratio (LCR) decreased to 221.2% (2020 – 279.1%) at the end of 2021. This is due to growing consolidated Net Cash Outflows and consistent amounts of High Quality Liquid Assets (HQLA). Sufficient liquidity is available given the high-quality composition and level of liquidity investments held by credit unions.

Credit Risk

Delinquencies greater than 90 days/loans decreased in 2021 to 0.86% (2020 – 1.4%). Delinquencies remain primarily concentrated in commercial loans and mortgages.

Interest Rate Risk

Interest rate risk increased in 2021, trending at levels above the five-year average. For a 1% increase in interest rates, the net market value change to assets decreased to -0.66% (-0.51% in 2020). Interest rates are currently expected to rise in 2022, however, credit unions are well capitalized to manage any adverse changes in interest rates that would affect loans and deposits.

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

Statistical Review of Credit Unions

	2017	2018	2019	2020	2021
Credit Unions	46	44	40	39	36
Employees	3,306	3,355	3,365	3,277	3,384
Members	476,628	481,124	482,009	486,152	490,288

2021 SASKCENTRAL SEPARATE FINANCIAL PERFORMANCE

Results Overview

SaskCentral's separate financial performance includes results from SaskCentral and its investees, which are reported separately. The financial performance and stability of SaskCentral is summarized according to the following categories: profitability, growth, liquidity, and return on equity (ROE).

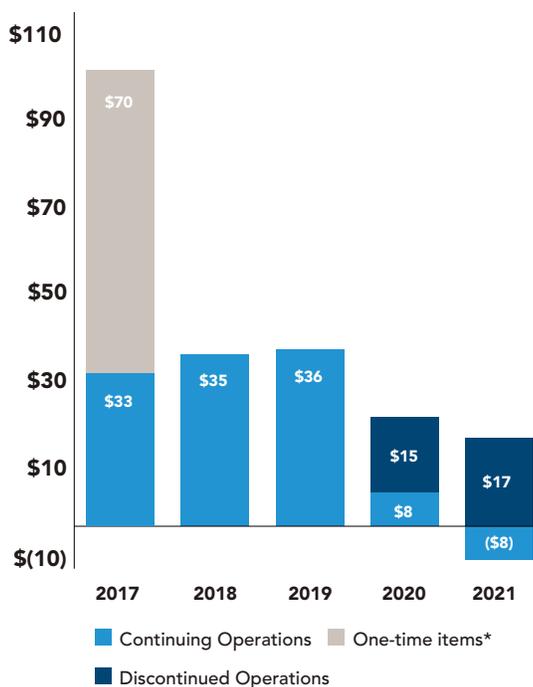
Assets Held for Sale and Discontinued Operations

As described in note 28 of the separate financial statements, on December 14, 2021, the Board resolved to enter into an exclusive negotiating period with a prospective buyer for SaskCentral's investment in Concentra Bank and negotiations have subsequently taken place. The disposition is consistent with SaskCentral's long-term business plan. SaskCentral's investment in Concentra Bank, which is expected to be sold within twelve months, has been classified as held for sale and presented separately in the separate balance sheet. The comparative separate statements of profit or loss and other comprehensive income (OCI) for 2021 and 2020 have been restated to show the discontinued operations separately from continuing operations. Results from continued operations and discontinued operations are discussed separately and referenced throughout this MD&A. Please refer to note 28 of the separate financial statements for details on the results from discontinued operations.

Profitability

SaskCentral's profit was \$9.1 million (2020 – \$22.3 million). SaskCentral's loss from continuing operations was \$8.1 million (2020 – \$7.6 million profit). The decrease in profit from continued operations was mainly due to SaskCentral's 1/3rd share of PPJV losses. SaskCentral's profit from discontinued operations was \$17.2 million (2020 - \$14.7 million). The increase was due to strong earnings from Concentra Bank.

SaskCentral Profit (in millions)



* One-time item relates to gain on acquisition of control of Concentra Bank and the income tax recovery in 2017.

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

Net interest income decreased to \$5.9 million (2020 - \$6.1 million) primarily due to the continued low interest rate environment and lower borrowings as credit unions held higher cash balances because of the COVID-19 pandemic.

Assessment revenue increased to \$5.7 million (2020 - \$5.4 million) as a result of an increase in the Liquidity Management Assessment fee to counteract the effects of the continued low interest rate environment. Despite the increase, SaskCentral continued to offer the services at or below market benchmarks.

Fee for service revenue decreased to \$8.1 million (2020 - \$9.9 million) primarily due to a reduction in tenant and consulting revenues as a result of the economic environment brought about by the pandemic.

The share of losses of subsidiaries, associates, and joint operations represents SaskCentral's share of net income (losses) from its investees, including Celero Solutions, PPJV and CUC Wealth. SaskCentral's share of losses was \$8.6 million (2020 - \$2.5 million loss). The increase in the share of losses is mainly due to costs incurred by PPJV.

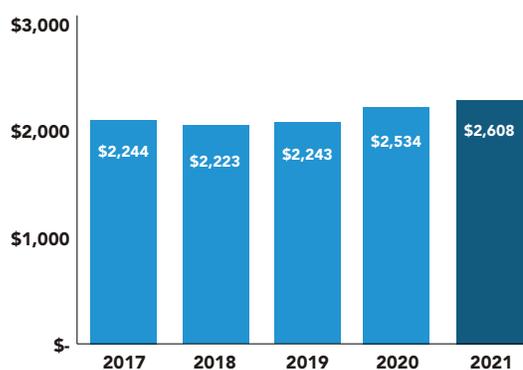
Non-interest expenses represent expenditures incurred to manage liquidity and provide consulting services to Saskatchewan credit unions, as well as general operating expenses such as salary and employee benefits and occupancy costs. Non-interest expenses increased to \$20.2 million (2020 - \$19.2 million) due to an increase in salary and employee benefits and in technology infrastructure costs, offset by cost savings in professional fees and general business expenses.

SaskCentral paid distributions to credit unions received from Celero Solutions of \$2.2 million (2020 - \$1.3 million), representing a 1.3% (2020 - 0.8%) return on investment. SaskCentral also distributed to credit unions dividends received from Concentra Bank of \$2.8 million (2020 - \$4.5 million). Of this, \$0.6 million was declared in December 2021 with payment in January 2022. Concentra Bank's dividends represented a 3.8% return on SaskCentral's investment in Concentra Bank (2020 - 3.8%).

Growth

SaskCentral's deposits increased by 2.9% over prior year (2020 - 13.0%). Deposits are comprised of statutory liquidity deposits and credit union cash balances. Statutory liquidity deposits increased 2.8% and credit union cash balances increased 4.5%. Credit union cash balances can fluctuate substantially year over year. Credit unions continue to experience high levels of liquidity due to the pandemic relative to historical average. Statutory liquidity deposits comprise 92.3% (2020 - 92.4%) of total deposits.

SaskCentral Deposits (in millions)



Liquidity

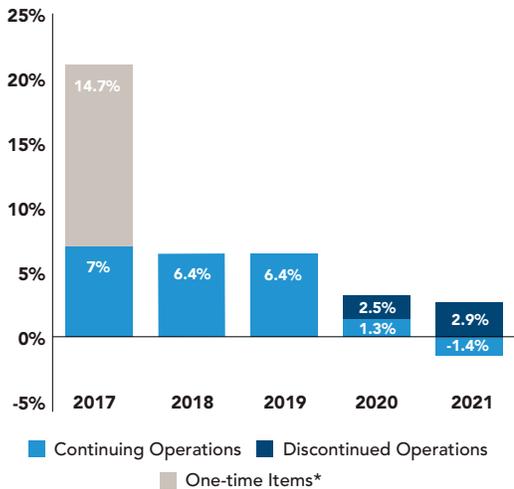
SaskCentral continued to hold a strong liquidity position in 2021. Cash and securities totalled \$2.8 billion, or 84.2% of assets (2020 - \$2.7 billion or 85.4%).

Return on Equity

Equity decreased by \$0.5 million from 2020. Modest earnings offset by dividends paid to credit unions resulted in a net increase to retained earnings of \$3.7 million. Credit unions subscribed to \$6.6 million (2020 - \$3.3 million) in membership share capital during the year. For 2021, SaskCentral's ROE was 1.5% (2020 - 3.8%).

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

Return on Equity



* One-time item relates to gain on acquisition of control of Concentra Bank and the income tax recovery in 2017.

LIQUIDITY MANAGEMENT

SaskCentral manages liquidity by evaluating regulatory developments, monitoring liquidity risks and evaluating liquidity sufficiency.

SaskCentral uses two metrics to monitor liquidity risk: the SaskCentral stand-alone Liquidity Coverage Ratio (LCR) and CUDGC's LCR. The stand-alone LCR is modeled after the *Standards of Sound Business Practice – Liquidity Adequacy Requirements* (SSBP-LAR) published by CUDGC. This guideline does not apply to SaskCentral; however, SaskCentral has incorporated the LAR principles in the LCR. CUDGC's LCR is based on the balance sheet of all Saskatchewan credit unions and includes their statutory liquidity deposit investments. All measures are used to assess SaskCentral's liquidity position and all policy requirements have been met in 2021. Refer to note 4 of the separate financial statements for further information.

SaskCentral supports credit unions in managing their LCR. A credit union's stock of High Quality Liquid Assets (HQLA) includes securities held directly as well as those held indirectly in the form of statutory liquidity deposits with SaskCentral. A credit union may allocate the amount of its

statutory liquidity deposits to each level of HQLA and other liquid assets on a 'look-through' basis and in accordance with the investment allocation of the liquidity pool at each level.

CAPITAL MANAGEMENT

Capital management consists of maintaining the capital required to cover risks and comply with the regulatory capital ratios defined by CUDGC. 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.

SaskCentral has developed an Internal Capital Adequacy Assessment Process (ICAAP) as an important component of its Enterprise Risk Management (ERM) framework. ICAAP provides a comprehensive financial analysis of the organization's major risks. This analysis improves the understanding of the issues facing SaskCentral and their financial impact on the organization. The ICAAP allows SaskCentral to make more informed decisions about its strategic initiatives, organizational policies and capital optimization strategies. Doing so assists SaskCentral in meeting its strategic objectives.

SaskCentral actively manages capital to ensure long-term financial stability, 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; and signal financial strength to stakeholders.

REGULATORY CAPITAL AND CAPITAL RATIOS

Capital levels are regulated pursuant to guidelines issued by CUDGC. 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

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

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. 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 6 in the separate financial statements.

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

Borrowing Multiple

Regulatory capital adequacy is measured by CUDGC 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. CUDGC 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 CUDGC. *The Financial Management Policy* sets a limit of 17.0:1, at which point SaskCentral's Board of Directors must take immediate mitigating action to make certain the borrowing multiple does not exceed CUDGC's limit. The Financial Management Policy also describes a management limit of 16.0:1, at which point management will outline actions to assuage the situation. During 2021, SaskCentral's Board approved a temporary increase to the borrowing multiple Board and management limit to 18.5:1 until the end of 2022. As of December 31, 2021, the borrowing multiple was 15.5:1 (2020 – 14.9:1).

Regulatory Capital and Ratios

	2021	2020
Tier 1 Capital	593,373	579,738
Total Borrowing Multiple Capital	170,162	173,129
Total Borrowings	2,638,190	2,574,431
Actual Borrowing Multiple	15.5:1	14.9:1
SaskCentral Policy Limit	17.0:1	17.0:1
Tier 1 Regulatory Capital		
Membership shares	175,262	168,690
Retained earnings	422,379	418,722
Own credit risk ¹	(397)	(3,803)
IFRS related reclassification ²	(3,871)	(3,871)
Total Tier 1 Capital	593,373	579,738
Tier 2 Regulatory Capital		
IFRS related reclassification ²	3,871	3,871
Total Tier 2 Capital	3,871	3,871
Total Tier 1 and Tier 2 Capital	597,244	583,609
Deduct:		
Investments in unconsolidated subsidiaries	426,896	401,420
Assets of little or no realizable value	186	9,060
Total Tier 1 and Tier 2 Capital	170,162	173,129

¹ Represents the cumulative impact of SaskCentral's own credit risk (OCR) on financial liabilities measured at fair value through profit or loss.

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

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

Capital Management

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 mandatory membership share capital at 0.6% of their previous year's assets, and a maximum membership share balance at 1.0%. 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 2021, credit unions subscribed to \$6.6 million in additional membership share capital.

At December 31, 2021 credit union membership share capital represented 0.64% of 2021 credit union assets (2020 – 0.64%).

SaskCentral remains well capitalized and able to support Saskatchewan credit unions. Based on the borrowing multiple at the end of 2021, SaskCentral would be able to withstand additional capital shocks of \$15.0 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 Bank, Celero Solutions, PPJV, CUC Wealth, The Co-operators, and Canadian Credit Union Association (CCUA).

Excess capital that is not required to manage risk and comply with regulatory requirements is returned to the credit unions as a dividend.

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 its capital management strategies to reflect any changes.

ENTERPRISE RISK MANAGEMENT

SaskCentral's Enterprise Risk Management (ERM) framework aligns with the ERM framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The ERM framework describes the principles, governance structures, roles and responsibilities and key concepts that SaskCentral uses to guide its assessment of risks within the organization. The framework outlines a thorough and systematic way that risk is managed, identified, assessed, monitored and reported.

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 to ensure existing and emerging risks are identified and managed within acceptable risk appetites and tolerances.

ERM is closely tied with SaskCentral's strategy and business plan and is integrated with SaskCentral's strategic goals and balanced scorecard. SaskCentral's strategy and key risks are approved by the SaskCentral Board annually. 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 includes significant strategic investments in its risk analysis (i.e. Concentra Bank).

SaskCentral utilizes a strategy map to represent the primary strategic goals most critical to the organization's success. These strategic goals are used as the major risk categories, facilitating more intense scrutiny of critical areas during risk identification.

In 2021, SaskCentral developed Enterprise Strategy 2024 that provides a vision for where we want to be by 2024. In this strategic plan there is a roadmap of broad strategic areas that SaskCentral is going to focus on.

These strategic areas are aligned to SaskCentral's enterprise risk management strategy map that outlined the following primary strategic goals:

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

- Modernized statutory liquidity function aligned to SaskCentral's financial sustainability and governance reform;
- Effective and efficient payments, clearing and settlement for credit unions;
- Alignment of strategic investments to optimize capital and value of services;
- Relevant, future-focused core and discretionary services for credit unions; and
- Evolving our organizational design to enable execution of Enterprise Strategy 2024.

Risks are also mapped to the regulatory risk categories of credit, market (interest rate, price and foreign exchange), liquidity, strategic and operational, legal and regulatory applicable to all financial institutions. SaskCentral's risk appetites, risk tolerances and key risks are updated and approved annually by the Board. Key risks are identified annually through the registry of all identified risks facing the organization. Management reports the status and trending of key risks on a quarterly basis to the Board. The status and trending of the remaining risks identified are reported quarterly to the Management Risk Committee, which reports to the Executive Leadership Team. The Executive Leadership Team may elevate specific remaining risks or new emerging risks to the attention of the Board if changes in risk trending or severity warrant.

SaskCentral has a Board-approved conflict of interest policy and a code of conduct that all employees, directors and delegates must follow. 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's FMAC reviews these risks on a quarterly basis.

The ICAAP is an important part of SaskCentral's ERM process. ICAAP provides a comprehensive financial analysis of the organization's major risks and allows SaskCentral to make more informed decisions about its strategic initiatives, organizational policies and capital optimization strategies. The ICAAP is reviewed annually by the Board.

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 *Continuity Management Program* to direct the effective management of any major business continuity disruption. 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.

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(s), Concentra Bank, PPJV, the Group Clearer Joint Venture and CCUA. The plan is tested at least annually through tabletop or full mock exercises.

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

SaskCentral's *Capital Crisis Management Plan* provides a basis for analyzing capital management options during a stress event and the organization's ability to maintain or replenish capital levels.

As a Provincial Systemically Important Financial Institution, SaskCentral has a *Recovery Plan* with a purpose to restore stakeholder's confidence in the financial soundness of the institution following an extreme, but plausible, stress event. The *Recovery Plan* outlines management actions that demonstrate SaskCentral's ability to recover from extreme liquidity and capital events. *Recovery Plan* scenarios and actions are updated and filed with CUDGC.

Concentra Bank manages its ERM process independent of SaskCentral. For further information, please refer to Concentra Bank's 2021 annual report.

2022 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 Separate MD&A.

Credit unions continue to operate in and respond to a rapidly changing environment; one driven by technology advancements, economic and competitive pressures, and changing consumer behavior and preferences. The COVID-19 pandemic has accelerated these changes and, in many respects, introduced unprecedented and likely permanent societal, technological and economic shifts that will shape the future.

This presents continued pressures around margins, growth and member acquisition for credit unions, and impacts technology, digitization and efficiency. As the credit union system evolves to meet these challenges and opportunities, so too must SaskCentral – and the urgency continues to heighten.

In addition, the payments landscape is changing. Payments Canada is working to modernize Canada's payment systems. A modern payments infrastructure designed for tomorrow's digital world will introduce new opportunities to simplify and enhance everyday payment interactions. This

highly evolving environment directly drives SaskCentral's strategy and continued transformation.

SaskCentral has embarked on a multi-year enterprise-wide strategy, *Enterprise Strategy 2024*. This includes sequential annual milestones and accompanying business strategies to achieve our 2024 Vision where we become, "A trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024."

SaskCentral's mission in 2022 is: Accelerate. We will accelerate our transformation by deepening our core competencies and process, repatriating capital, and shifting our business model.

Our strategy focuses on six key areas.

Statutory Liquidity Management

Statutory liquidity management is a core service and part of SaskCentral's future state. We need to deliver this service in a way that best meets member credit union changing needs. This means providing greater flexibility to evolve their business models, further strengthening safety and stability in the system, and taking advantage of the opportunities provided by Payments Canada's Modernization initiative.

Payments, Clearing & Settlement

Payments, clearing and settlement is also a core service that is part of SaskCentral's future state. Change is required to address future infrastructure needs, capabilities and connections to support this foundational aspect of credit union business. SaskCentral has a role in connecting credit unions to the payments ecosystem by providing access to payments transaction processing and clearing and settlement through joint venture relationships.

Strategic Investments

SaskCentral holds investments on behalf of Saskatchewan credit unions and must make appropriate decisions about those investments. This includes determining strategies for investments that directly support SaskCentral's core wholesale service delivery functions. A priority for

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

SaskCentral in 2021 was to work towards a successful divestiture transaction of its 84% ownership share of Concentra. A sale to Equitable Bank was announced on February 7, 2022, subject to regulatory approvals.

Discretionary Services

To align to the strategic direction and future state, SaskCentral will pursue options to separate the National Consulting business from SaskCentral.

Governance

SaskCentral will revise its governance framework to align to the organization upon completion of Enterprise Strategy 2024. This will require changes to SaskCentral bylaws to address the overall governance model and capital structure.

People & Culture

In 2024, SaskCentral will have a high performing and innovative workforce with empowered leaders equipped with the right mix of knowledge, skills, leadership and execution behaviours to enable excellence in delivery of our core services. To achieve this vision, SaskCentral will embark on a multi-year journey to evolve its culture, leadership, competencies and reinforcing structures (organizational and other small "governance" structures) to ensure alignment to future state.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

The accompanying separate financial statements have been prepared in accordance with IFRS. The significant accounting policies used in the preparation of the separate financial statements are described in note 2. The preparation of the separate financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at year end. Critical accounting estimates and judgments are described in note 3 of the separate financial statements.

Subsequent Event

As disclosed in note 29 of the separate financial statements, on February 7, 2022, SaskCentral, Concentra Bank and Equitable Bank, the wholly owned subsidiary of Equitable Group Inc., announced that Equitable Bank entered into

definitive agreements by which Equitable Bank will acquire SaskCentral's 84.02% common share equity interest in Concentra Bank as well as support agreements with additional Concentra Bank shareholders representing a majority of the remaining 15.98% common share ownership.

Together, these agreements will enable Equitable Bank to acquire 100% of Concentra Bank for a combined premium of \$35.7 million to book value of common equity, of which SaskCentral's portion is \$30.0 million. Based on Concentra's book value at December 31, 2021, this would result in a total purchase price of \$395.0 million for SaskCentral's share in Concentra Bank, subject to customary adjustments at the time of closing. The transaction is subject to approval by regulatory authorities and is expected to take place in the second half of 2022. Management is still assessing the full financial impact of this transaction on the separate financial statements.

IMPACT OF COVID-19

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The breadth and depth of the impact of the pandemic on the global economy and financial markets has continued to evolve with increased market volatility and changes to the macroeconomic environment. As the COVID-19 pandemic continues to evolve, including through the emergence and progression of new variants of COVID-19 in different regions, governments continue to adjust their response and approach to the pandemic. Despite positive vaccine developments, uncertainty remains regarding vaccine efficacy against new variants of COVID-19 as well as overall long-term effectiveness, the potential impact of vaccine hesitancy, the timing of vaccine rollouts to certain age-groups, and global vaccine supply and availability, including uneven vaccine access. All of these factors contribute to the uncertainty regarding the timing of a full recovery.

COVID-19 has created many uncertainties with respect to counterparty credit risk, liquidity and the valuation of securities and deposits. Management has incorporated the anticipated impact of COVID-19 in estimates and judgments of these separate financial statements to the extent known at this time. Outcomes that are different from assumptions used in estimates could require a material adjustment within the next financial year.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Credit Union Central of Saskatchewan

Management has responsibility for preparing the accompanying separate financial statements and ensuring that all information in the annual report is consistent with the separate financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards. The separate financial statements have been prepared, without consolidation, in accordance with the basis of accounting described in note 2 of the separate financial statements, and consistently applied, using management's best estimates and judgements where appropriate.

In discharging its responsibilities for the integrity and fairness of the separate 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 separate financial statements in detail with management and to report to the Board prior to their approval of the separate financial statements for publication.

Credit Union Deposit Guarantee Corporation of Saskatchewan reviews the activities of SaskCentral to ensure compliance with the *Cooperative Credit Associations Act and the Credit Union Central of Saskatchewan Act, 2016*, 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 separate financial statements and report directly to them; their report is presented separately.



Shawn L. Good,
Chief Executive Officer



Stephen Fitzpatrick,
Chief Financial Officer / Chief Risk Officer
March 2, 2022

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 separate 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 the audit summary report. The Audit and Risk Committee meets with the Chief Auditor to review and approve audit plans and 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.

Management provides the Audit and Risk Committee with certifications on its compliance with the Credit Union Deposit Guarantee Corporation (CUDGC). Also, management letter recommendations received from CUDGC are reviewed by the Audit and Risk Committee.



Mitchell Anderson

Chair, Audit and Risk Committee

March 2, 2022

INDEPENDENT AUDITOR'S REPORT



Deloitte LLP
2103 - 11th Avenue
9th Floor
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

Opinion

We have audited the separate financial statements of Credit Union Central of Saskatchewan (the "Company"), which comprise the separate balance sheet as at December 31, 2021, and the separate statement of profit or loss, separate statement of comprehensive income or loss, separate statement of changes in equity, and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies (collectively referred to as the "separate financial statements").

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Matter

We issued a separate auditor's report dated March 2, 2022 on the Company's consolidated financial statements for the year ended December 31, 2021 in accordance with IFRS.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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



Chartered Professional Accountants
March 2, 2022
Regina, Saskatchewan

CREDIT UNION CENTRAL OF SASKATCHEWAN

SEPARATE BALANCE SHEET

[in thousands of Canadian dollars]

As at December 31

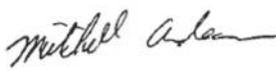
	2021	2020
	\$	\$
Assets		
Cash and cash equivalents [note 7]	96,302	150,885
Securities [note 8]	2,663,610	2,572,194
Derivative assets [note 9]	8,655	6,855
Loans [note 10]	49,260	15,908
Trade and other receivables	2,805	2,104
Other assets	255	489
Investments in subsidiaries, associates and joint operations [note 12]	37,291	417,182
Property, plant and equipment [note 13]	4,679	4,936
Investment property [note 14]	8,782	8,983
Intangible assets [note 15]	883	559
Deferred income tax assets [note 16]	12,108	8,787
Assets held for sale [note 28]	393,723	-
	3,278,353	3,188,882
Liabilities		
Deposits [note 17]	2,608,192	2,534,418
Derivative liabilities [note 9]	8,655	6,855
Loans and notes payable [note 18]	29,998	40,013
Trade and other payables	4,309	4,953
Provision for investments in associates [note 12]	14,410	3,289
Other liabilities	97	121
Liabilities directly associated with assets held for sale [note 28]	13,969	-
	2,679,630	2,589,649
Equity		
Share capital [note 19]	175,262	168,690
Retained earnings	422,379	418,722
Accumulated other comprehensive income [note 28]	1,082	11,821
	598,723	599,233
	3,278,353	3,188,882

See accompanying notes

On behalf of the Board:



Director



Director

CREDIT UNION CENTRAL OF SASKATCHEWAN

SEPARATE STATEMENT OF PROFIT OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
Continuing operations		
Interest income		
Securities	30,310	40,431
Loans	861	382
	31,171	40,813
Interest expense		
Deposits	25,138	34,263
Loans and notes	96	487
	25,234	34,750
Net interest income [note 21]		
Provision for credit losses [note 11]	13	8
Net interest income after provision for credit losses	5,924	6,055
Non-interest income		
Assessment revenue [note 22]	5,722	5,425
Fee for service [note 22]	8,146	9,920
(Loss) gain on financial instruments [note 25]	(2,960)	6,540
Share of losses of subsidiaries, associates and joint operations	(8,619)	(2,541)
	2,289	19,344
Net interest and non-interest income	8,213	25,399
Non-interest expense		
Salary and employee benefits [note 23]	10,544	9,099
Professional and advisory services [note 24]	5,493	6,009
Computer and office equipment	1,238	1,040
Occupancy	2,018	2,064
General business	923	962
	20,216	19,174
(Loss) profit for the year before income taxes	(12,003)	6,225
Income tax recovery [note 16]	(3,873)	(1,410)
(Loss) profit for the year from continuing operations	(8,130)	7,635
Discontinued operations		
Profit for the year from discontinued operations, net of tax [note 28]	17,197	14,703
Profit for the year	9,067	22,338

See accompanying notes

CREDIT UNION CENTRAL OF SASKATCHEWAN

SEPARATE STATEMENT OF COMPREHENSIVE INCOME OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
Profit for the year	9,067	22,338
Other comprehensive income (loss) from continuing operations		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net unrealized (losses) gains on FVTOCI securities during the year	(1,763)	2,960
Reclassification of gains on FVTOCI securities disposed of in the year	(11)	(15)
Reclassification of impairment losses (gains) on FVTOCI securities [note 11]	6	(2)
Share of other comprehensive (loss) income of subsidiaries, associates and joint operations	(158)	93
Income tax relating to items that may be reclassified subsequently [note 16]	579	(792)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value due to change in own credit risk on financial liabilities [note 25]	4,190	(3,193)
Income tax related to items that will not be reclassified subsequently [note 16]	(1,131)	862
Other comprehensive income (loss) for the year from continuing operations, net of tax	1,712	(87)
Discontinued operations		
Other comprehensive (loss) income from discontinued operations [note 28]	(12,798)	8,670
Total comprehensive (loss) income for the year	(2,019)	30,921

See accompanying notes

CREDIT UNION CENTRAL OF SASKATCHEWAN

SEPARATE STATEMENT OF CHANGES IN EQUITY

[in thousands of Canadian dollars]

Year ended December 31

	Share capital	Retained earnings	Accumulated other comprehensive income		Total
			Fair value reserve	Own credit risk reserve	
Balance as at December 31, 2019	165,424	410,688	4,710	(1,234)	579,588
Profit for the year	-	22,338	-	-	22,338
Other comprehensive income (loss) for the year, net of tax	-	-	10,914	(2,331)	8,583
Increase in share capital	3,266	-	-	-	3,266
Dividends [note 20]	-	(14,542)	-	-	(14,542)
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	-	238	-	(238)	-
Balance as at December 31, 2020	168,690	418,722	15,624	(3,803)	599,233
Profit for the year	-	9,067	-	-	9,067
Other comprehensive (loss) income for the year, net of tax	-	-	(14,145)	3,059	(11,086)
Increase in share capital	6,572	-	-	-	6,572
Dividends [note 20]	-	(5,063)	-	-	(5,063)
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	-	(347)	-	347	-
Balance as at December 31, 2021	175,262	422,379	1,479	(397)	598,723

See accompanying notes

CREDIT UNION CENTRAL OF SASKATCHEWAN

SEPARATE STATEMENT OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
Cash flows from operating activities		
Profit for the year	9,067	22,338
Adjustments to determine net cash used in operating activities:		
Depreciation of property, plant and equipment and investment property [note 13/14]	631	659
Other amortization/accretion	16,589	6,235
Loss on disposal of property, plant, and equipment	6	-
Provision for credit losses [note 11]	13	8
Loss (gain) on financial instruments [note 25]	2,960	(6,540)
Net interest income [note 21]	(5,937)	(6,063)
Share of losses in subsidiaries, associates and joint operations	8,619	2,541
Income for the year from discontinued operations [note 28]	(17,197)	(14,703)
Income tax recovery [note 16]	(3,873)	(1,410)
Changes in operating assets and liabilities:		
Loans, net of repayments	(33,357)	12,384
Trade and other (payables) receivables	(781)	(1,445)
Other assets	234	(245)
Deposits, net of withdrawals	103,691	270,532
Loans and notes payable, net of repayments	(10,012)	(70,615)
Other liabilities	(24)	(12)
Interest received	30,262	40,225
Dividends received	285	331
Interest paid	(26,095)	(36,064)
Cash flows from operating activities	75,081	218,156
Cash flows from (used in) financing activities		
Proceeds from issuance of share capital	6,572	3,266
Dividends paid to members [note 20]	(5,628)	(14,542)
Cash flows from (used in) financing activities	944	(11,276)
Cash flows used in investing activities		
Purchase of securities	(1,812,149)	(4,105,338)
Proceeds from sales of securities	1,675,254	3,921,610
Distributions from investments in subsidiaries, associates and joint operations [note 12]	6,880	7,606
Property, plant and equipment [note 13]	(173)	(186)
Intangible assets [note 15]	(420)	(503)
Cash flows used in investing activities	(130,608)	(176,811)
Net (decrease) increase in cash and cash equivalents	(54,583)	30,069
Cash and cash equivalents, beginning of year	150,885	120,816
Cash and cash equivalents, end of year	96,302	150,885

See accompanying notes

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

1. REPORTING ENTITY

Credit Union Central of Saskatchewan (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, 2016* (the Act). Under the Act, Credit Union Deposit Guarantee Corporation of Saskatchewan (CUDGC) has regulatory responsibilities for SaskCentral.

SaskCentral functions as a liquidity manager and key service supplier on behalf of and for Saskatchewan credit unions. SaskCentral also maintains business relationships with, and investments in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank (operating under the trade name Wyth Financial), Prairie Payments Joint Venture (PPJV), Celero Solutions and CU CUMIS Wealth Holdings LP (CUC Wealth) as described in note 12.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements. SaskCentral's separate financial statements do not consolidate the activities of its subsidiaries or joint operations. The accounting policies have been consistently applied by SaskCentral's subsidiaries and joint operations. SaskCentral prepares separate financial statements to enhance accountability and the transparency of its operations.

2.1 Basis of presentation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These separate financial statements were authorized for issue by the Board on March 2, 2022.

SaskCentral prepares audited consolidated financial statements in accordance with IFRS 10, *Consolidated Financial Statements*. The audited consolidated financial statements were authorized for issue by the Board on March 2, 2022. SaskCentral's audited consolidated financial statements should be referenced for further information.

(b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for financial assets and liabilities held at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI), which have been measured at fair value, including all derivative contracts.

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 separate 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

(b) Basis of measurement (continued)

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 separate 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.

(d) Use of estimates and judgments

The preparation of the separate 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 separate financial statements. Management believes that the underlying assumptions are appropriate and that SaskCentral's separate 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 separate financial statements are described in note 3.

(e) COVID-19 pandemic considerations

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The breadth and depth of the impact of the pandemic on the global economy and financial markets has continued to evolve with increased market volatility and changes to the macroeconomic environment. As the COVID-19 pandemic continues to evolve, including through the emergence and progression of new variants of COVID-19 in different regions, governments continue to adjust their response and approach to the pandemic. Despite positive vaccine developments, uncertainty remains regarding vaccine efficacy against new variants of COVID-19 as well as overall long-term effectiveness, the potential impact of vaccine hesitancy, the timing of vaccine rollouts to certain age-groups, and global vaccine supply and availability, including uneven vaccine access. All of these factors contribute to the uncertainty regarding the timing of a full recovery.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) COVID-19 pandemic considerations (continued)

COVID-19 has created many uncertainties with respect to counterparty credit risk, liquidity and the valuation of securities and deposits. Management has incorporated the anticipated impact of COVID-19 in estimates and judgments of these separate financial statements to the extent known at this time. Outcomes that are different from assumptions used in estimates could require a material adjustment within the next financial year.

2.2 Investments in subsidiaries

A subsidiary is an entity over which SaskCentral has control. 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.

For the purposes of these separate financial statements, all subsidiaries have been accounted for using the equity method, except when the subsidiary is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). Under the equity method, an entity is initially recognized in the separate balance sheet at cost and adjusted thereafter to recognize SaskCentral's share of the profit or loss and other comprehensive income (OCI) of the entity. When SaskCentral's share of losses of an entity exceeds SaskCentral's interest in that entity, 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 entity.

2.3 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 of associates are incorporated in these separate financial statements using the equity method. 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 separate statement of profit or loss in the period in which the investment is acquired.

The requirements of IAS 36, *Impairment of Assets* (IAS 36) 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 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.

2.4 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. For the purposes of these separate financial statements, all joint operations have been accounted for using the equity method.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When SaskCentral is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether SaskCentral will retain a non-controlling interest in its former subsidiary after the sale.

When SaskCentral is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. SaskCentral then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.6 Sale 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 FVTOCI and recorded at fair value. Obligations related to assets sold under repurchase agreements are recorded in loans payable (note 18). Interest incurred on repurchase agreements is included in loans and notes interest expense.

2.7 Financial instruments

All financial assets and financial liabilities are recognized in the separate 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 the separate statement of profit or loss.

(a) Financial assets

Debt instruments are classified as amortized cost, FVTOCI or FVTPL on the basis of SaskCentral's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

SaskCentral makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, from the sale of financial assets, or both. For the assessment of business models, SaskCentral takes into consideration the factors such as performance of assets in the portfolio, risks that affect the performance of assets, management compensation for those managing the assets and the frequency, reason for sales, and volume of sales in prior periods and expectations about future sales activity.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In performing this assessment, SaskCentral takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If SaskCentral identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Debt instruments measured at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVTOCI are recorded in OCI and accumulated in the fair value reserve. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to interest income in the separate statement of profit or loss using the effective interest rate method. Upon derecognition, realized gains and losses are reclassified from OCI to profit or loss.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Debt instruments designated at FVTPL

SaskCentral may, at initial recognition, irrevocably designate a financial asset at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial assets is managed with its performance being evaluated on a fair value basis; or
- The financial asset contains one or more embedded derivatives which significantly modifies the cash flows otherwise required by the contract.

For financial assets designated at FVTPL, changes in fair value are recognized in the separate statement of profit or loss.

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL unless an election is made to designate them at FVTOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized in the separate statement of profit or loss.

Equity instruments designated at FVTOCI

On initial recognition, SaskCentral may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI. Designation at FVTOCI is not permitted if the equity instruments is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transactions costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instruments. Instead it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in the separate statement of profit or loss in accordance with IFRS 9, *Financial Instruments* (IFRS 9).

(b) Financial liabilities

SaskCentral classifies its financial liabilities as measured at amortized cost or FVTPL.

SaskCentral may, at initial recognition, irrevocably designate a financial liability at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities is managed with its performance being evaluated on a fair value basis; or
- The financial liability contains one or more embedded derivatives which significantly modifies the cash flows otherwise be required by the contract.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(b) Financial liabilities (continued)

For liabilities designated at FVTPL, all changes in fair value are recognized in the separate statement of profit or loss, except for changes in fair value arising from changes in SaskCentral's own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in SaskCentral's own credit risk, recognized in OCI, are not subsequently reclassified to the separate statement of profit or loss upon derecognition/extinguishment of the liabilities. Instead, these changes are reclassified from accumulated other comprehensive income (AOCI) to retained earnings upon derecognition/extinguishment of the liabilities.

(c) Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, unless SaskCentral changes its business model for managing financial assets. There were no changes to any of the SaskCentral's business models for the year ended December 31, 2021.

(d) Impairment of financial assets

SaskCentral establishes an allowance for credit losses for financial assets at amortized cost and financial assets at FVTOCI.

The allowance for credit losses is calculated using the expected credit loss (ECL) approach. ECL reflects the present value of all cash shortfalls related to default events which may occur over a specified period of time. No impairment is recognized on equity investments in the scope of IFRS 9 because they are recorded at FVTPL. The impairment on financial assets is presented in the separate balance sheet as a deduction in the gross carrying amount of securities and loans.

Expected credit loss impairment model

SaskCentral's allowance for credit losses is an output of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The impairment amount reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The impairment model measures the ECL using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 - where there has not been a significant increase in credit risk since initial recognition of a financial asset, an amount equal to 12-month ECL is recorded.
- Stage 2 - when a financial asset experiences a significant increase in credit risk subsequent to the origination but is not considered to be in default, an amount equal to lifetime ECL is recorded.
- Stage 3 - when a financial asset is considered to be in default, an amount equal to lifetime ECL continues to be recorded or the financial asset is written off.

Measurement of ECL

The measurement of ECL is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). The PD is an estimate of the likelihood that a financial asset will not be repaid and will go into default. LGD is an estimate of the amount that may not be recovered in the event of default. The assessment of the PD and LGD is based on historical data and current market conditions adjusted by reasonable and supportable information about future economic conditions. EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Significant increase in credit risk

At each reporting date, SaskCentral assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information with the impact of forward-looking macroeconomic factors.

SaskCentral's assessment of significant increase in credit risk is performed quarterly based on the following three factors. If any of these factors indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the credit rating has dropped below investment grade, based on DBRS Morningstar ratings.
- SaskCentral considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.
- Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purpose of this assessment, credit risk is based on an instrument's PD, not the losses SaskCentral expects to incur. The assessment is generally performed at the instrument level.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their obligations both in near term and in the longer term, including periods of adverse changes in the economic or business environment. SaskCentral considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Definition of default

SaskCentral considers a financial asset to be in default when:

- The external rating agencies have assigned a default rating to the investment;
- The debt issuer or obligor has not met a legally scheduled payment or has indicated that it will miss such a payment in near future;
- The borrower is past due more than 90 days on any credit obligation to SaskCentral; or
- The borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing.

Forward looking information

The measurement of ECL and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Macroeconomic factors

In its ECL models, SaskCentral relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, unemployment rates, Bank of Canada interest rates, oil price per barrel and new housing starts. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data.

Multiple forward-looking scenarios

SaskCentral determines ECL using multiple probability-weighted forward-looking scenarios. Based on economic forecasts of large Canadian banks, SaskCentral formulates a 'base case' scenario of the future direction of relevant economic variables as well as representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relevant probabilities of each outcome. External information includes economic data and forecasts published by the Bank of Canada, provincial government bodies and large Canadian financial institutions. As indicated in note 2.1(e), COVID-19 is expected to have significant impact on customer credit risk. These factors have been incorporated into SaskCentral's assessment of expected credit losses.

SaskCentral will typically probability weight the 'base case' scenario most heavily as it represents the most likely outcome and is aligned with information used by SaskCentral for other purposes such as planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

Presentation of allowance for credit losses in the statement of financial position

For financial assets measured at amortized cost, the allowance for credit losses is presented in the separate balance sheet as a deduction from the gross carrying amount of the assets.

The allowance for credit losses for financial assets measured at FVTOCI does not reduce the carrying amount of the asset in the separate balance sheet which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding recognition to the provision for credit losses in the separate statement profit or loss.

Write-off

SaskCentral writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. In subsequent periods, any recoveries of amounts previously written off are credited to the net provision for credit losses in the statement of operations. No financial assets were written off during the year.

(e) 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 the separate statement of profit or loss for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(e) Derecognition of financial assets or liabilities (continued)

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 the separate statement of profit or loss.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the separate 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.

Total interest income and total interest expense for specific categories of financial assets and financial liabilities is presented in note 21.

2.9 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SaskCentral recognizes revenue when it transfers control of a product or service to a customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

Nature of goods and services

SaskCentral earns revenue outside of interest income on financial assets. Revenues arising from these streams are recognized based on contracts with customers. The consideration received does not include any significant financing components that are not included in the transaction price. SaskCentral's principal activities, from which SaskCentral generates the majority of its revenue, are described below.

Liquidity management assessment

SaskCentral collects liquidity management assessment fees from member credit unions to provide services such as clearing and settlement, daily cash flow management and emergency liquidity management. The liquidity management assessment fees are reviewed and approved by SaskCentral's Board annually. The fees are assessed based on member credit unions' assets. The services are rendered over time and performance obligations are satisfied in the same manner; therefore, revenues are recognized over time. Payment for the liquidity management assessment fee is due on a monthly basis.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Revenue recognition (continued)

Consulting revenues

SaskCentral provides consulting services to Canadian credit unions in the areas of internal audit, anti-money laundering, fraud management, deposit and lending compliance, risk management, strategic planning and board governance. SaskCentral employees and external consultants provide these services. Credit unions leverage SaskCentral's expertise for their operational success. These services are provided under standard contracts for which performance obligations are satisfied over time. Accordingly, revenue is accrued over the term when the consulting services are provided and typically invoiced upon the completion of contract. The payment for consulting services is due immediately upon completion of the contract.

Deposit and lending education

SaskCentral helps credit unions develop and maintain their competitive edge in the marketplace by offering annual educational sessions. The sessions are designed to provide staff with the skills to be successful in today's competitive financial services environment. SaskCentral collects revenue on a per-participant basis and participation is at discretion of credit unions. The performance obligations related to training are satisfied upon delivery of the training workshops and revenue is recognized at a point in time. Payment for the educational session is due immediately prior to the session.

Management oversight revenues

SaskCentral provides support and management oversight of contractual arrangements between credit unions and suppliers in regards to retail banking products, card issuance services, digital banking services and procurement services. Credit unions can choose these services based on the size and complexities of the individual credit union.

The revenue is comprised of the fixed monthly fees and a per-member charge is billed monthly, for which payment is due immediately. Management oversight is an ongoing activity and as such, performance obligations are satisfied over time.

Rental revenue

SaskCentral collects rental revenue from tenants relating to the lease of office space. SaskCentral retains substantially all of the risks and benefits of ownership and therefore accounts for leases with its tenants as operating leases. Rental income is recognized systemically over the term of the lease. Any incentives offered in negotiating and arranging an operating lease is amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease.

2.10 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Derivative financial instruments

SaskCentral 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 the separate statement of profit or loss immediately.

2.12 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 was already of the age and in the condition expected at the end of its useful life.

The applicable depreciation periods are as follows:

Building	40 years
Building improvements	5 to 35 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 the separate statement of 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 the separate statement of profit or loss.

2.13 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Investment property (continued)

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.

2.14 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 ranging from two to five years.

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 the separate statement of profit or loss when the asset is derecognized.

2.15 Impairment of non-financial assets

Non-financial assets such as property, plant and equipment, investment property and intangible assets 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.

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 the separate statement of 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 the separate statement of profit or loss immediately. No non-financial assets were impaired in 2021 or 2020.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Government grants

Government grants are not recognized until there is reasonable assurance that SaskCentral will comply with the conditions attached to them and that the grants will be received. Government grants are recognized in the separate statement of profit or loss on a systematic basis over the periods in which the expenses are recognized. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to SaskCentral with no future related costs, are recognized in the separate statement of profit or loss in the period in which they become receivable.

2.17 Taxation

Income tax expense represents current and deferred tax. Current tax and deferred tax are recognized in the separate statement of profit or loss except to the extent that it relates to items recognized directly in OCI.

(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 separate 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 separate financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the separate balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. 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. Management assesses regularly whether the temporary differences related to investments in subsidiaries will reverse in the foreseeable future. If the temporary differences will reverse in the foreseeable future, deferred income tax will be recognized related to the temporary difference that will 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.

A deferred tax liability is recognized when income taxes are payable in future periods as a result of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Taxation (continued)

(b) Deferred tax (continued)

Deferred tax related to fair value re-measurement of FVTOCI, which are recognized in OCI, is also recognized in OCI and subsequently in the separate 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.

2.18 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 benefit 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.

(c) Termination benefits

Termination benefits are employee benefits provided when employment is terminated by SaskCentral before the normal retirement date, or whenever an employee accepts an offer of benefits in exchange for the termination of employment. SaskCentral recognizes termination benefits at the earlier of the date when SaskCentral can no longer withdraw the offer of those benefits and the date SaskCentral recognizes costs for a restructuring provision which involves the payment of termination benefits. Benefits falling due more than twelve months after the date of the balance sheet are discounted to present value.

2.19 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Dividends

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the separate 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 regards 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 separate financial statements.

Business model assessment

Classification and measurement of financial assets under IFRS 9 depends on the results of the sole payments of principal and interest and the business model test. SaskCentral determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment requires judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated.

Allowance for credit losses

The ECL model requires the recognition of credit losses based on twelve months of expected losses for performing financial assets and recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The main factors considered in making this determination are relative changes in PD since origination, and certain other criteria such as 30-day past due and DBRS Morningstar ratings. The assessment of significant increase in credit risk requires judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, SaskCentral must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the expected credit loss allowance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Control of Conentra Bank

Conentra Bank is a subsidiary of SaskCentral as a result of SaskCentral's ability to call a special resolution vote on any matter or Board decision related to Conentra Bank and its 84.02% (2020 - 84.02%) voting interest in Conentra Bank. In addition, SaskCentral has the power to appoint and remove four out of the twelve directors of Conentra Bank. Management has concluded that SaskCentral has control over Conentra Bank due to SaskCentral's ability to call a special resolution on any matter and its power to appoint and remove directors of Conentra Bank. As described in note 28, on December 31, 2021 SaskCentral's investment in Conentra Bank was classified as assets held for sale and accounted for under IFRS 5. The disposal of Conentra Bank is expected to result in a loss of control. Prior year comparative figures are accounted for using the equity method.

Significant influence over Celero Solutions

SaskCentral has significant influence over Celero Solutions by virtue of its 33.33% (2020 - 33.33%) interest in Celero Solutions. SaskCentral has the right to appoint two out of six (33.33%) 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 33.33% of the voting power of Celero Solutions, management has concluded that SaskCentral has significant influence over Celero Solutions.

Significant influence over Saskatchewan Entrepreneurial Fund Joint Venture

On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP had 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which had a 45.45% share in Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). On June 30, 2020, SEF LP was dissolved. Prior to June 30, 2020, SaskCentral had significant influence over SEF JV by virtue of SEF LP's 45.45% interest in SEF JV. SaskCentral had the ability to appoint two out of five members (40%) to the Executive Committee of SEF JV. Management concluded that due to the lack of unanimous consent required to make decisions, SaskCentral did not have joint control of SEF JV. However, since SaskCentral had 40% of the voting power of SEF JV, through CUVentures LP, management concluded that SaskCentral had significant influence over SEF JV.

Significant influence over CUC Wealth

CUC Wealth serves as a holding company for the five provincial credit union centrals and other co-operatives' ownership in Aviso Wealth Inc. (Aviso). Aviso is a national, integrated financial services company serving the wealth management needs of Canadian credit unions and independent financial organizations.

SaskCentral has 10.92% (2020 - 10.92%) ownership in CUC Wealth. SaskCentral has significant influence over CUC Wealth through its representation on the board of directors and participation in policy-making processes. SaskCentral has the right to appoint one out of nine (11.11%) members of the CUC Wealth board of directors and management has concluded that SaskCentral has significant influence over CUC Wealth. SaskCentral's representation on the CUC Wealth board of directors provides the ability to participate in and influence financial, operating and policy-making processes, including participation in decisions around distributions of CUC Wealth.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Classification of Prairie Payments Joint Venture as a joint operation

On January 1, 2020, SaskCentral entered into a joint venture agreement, referred to as the Prairie Payments Joint Venture (PPJV), with Alberta Central and Credit Union Central of Manitoba to administer the outsourcing of payments processing capabilities with IBM Canada Ltd., previously performed by CUPS Payment Services (CUPS). The PPJV provides payment services and related support services to the members of its owners as well to other organizations. The joint venturers, SaskCentral, Alberta Central and Credit Union Central of Manitoba, each have one-third interest in the joint venture. On January 1, 2020, all previous services performed by CUPS were transferred to PPJV.

On January 1, 2020, the assets and liabilities of CUPS and assets and liabilities of Credit Union Central of Manitoba's payment services were contributed to PPJV based on the respective joint venturers' economic and financial interests held under the legacy agreements. SaskCentral, Credit Union Central of Manitoba and Alberta Central signed a transition agreement effective January 1, 2020 under which the joint venturers of PPJV agree to retain their legacy financial interest in the revenues and expenses of the legacy services for the year ending December 31, 2020.

SaskCentral has 33.33% (2020 - 33.33%) interest in PPJV. PPJV is an unincorporated joint operation structured through a separate vehicle with a contractual agreement. 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 the joint venturer based on their proportionate share in the joint operation. The contractual agreement between SaskCentral, Alberta Central, and Credit Union Central of Manitoba states that the gross revenues, expenses, income and losses of the joint operation shall belong to, be owned by and borne exclusively by the three parties in proportion to their ownership share in the joint operation. Management concluded that PPJV was a joint operation due to the fact that the three joint venturers share proportionately the rights to the assets, obligations to the liabilities and share of profit or losses of PPJV. For the purposes of these separate financial statements, SaskCentral accounts for PPJV using the equity method.

Transfer of control of goods or services

Under IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment. In making the judgment, management considered the detailed criteria for recognition of revenue set out in IFRS 15.

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 financial 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 by SaskCentral's valuation subcommittee. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 5 and 14.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty (continued)

Calculation of expected credit losses

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. SaskCentral has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio. SaskCentral exercises judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecasts and the probability-weight assigned to each forecast scenario.

Own credit risk

Determination of fair value changes in own credit risk on financial liabilities designated at FVTPL requires SaskCentral to utilize valuation techniques, such as discounted cash flow model, where observable data is obtained from sources such as Bloomberg. Where valuation techniques such as models are used to determine SaskCentral's own credit risk, they are validated and periodically reviewed.

Valuation of Concentra Bank

As a result of acquisition of control of Concentra Bank, SaskCentral performed a valuation of Concentra Bank effective January 1, 2017. In performing the valuation, SaskCentral used discounted cash flow models and income approaches, or observable data from sources to calculate the value of Concentra Bank.

Income taxes

The deferred income tax liability recognized is based on future profitability assumptions within the foreseeable future. In the event of changes to these profitability assumptions, the deferred income tax liability recognized may be adjusted. During 2021, SaskCentral determined that it was probable that the temporary differences relating to Concentra Bank will reverse in the foreseeable future. Therefore, the deferred income tax liability was adjusted to record the temporary differences related to Concentra Bank.

4. FINANCIAL RISK MANAGEMENT

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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;
- Establishing prudent limits on loans to provincial credit unions
- Requiring specific collateral on loans to non-provincial credit unions; and
- 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 quarterly 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 and loan portfolios within the risk tolerances in the *Financial Management Policy*.

The following reports, related to the management of credit risk, are provided to the SaskCentral's Audit and Risk Committee:

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

The SaskCentral credit risk objectives, policies, and methodologies have not changed materially from December 31, 2020.

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 Morningstar, 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.

SaskCentral is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. 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. Potential credit risk exposure is calculated in accordance with the capital adequacy guidelines as prescribed by CUDGC.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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4. 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:

	Amount outstanding	2021 \$ Undrawn commitments	Total
Cash and cash equivalents	96,302	-	96,302
Securities	2,663,618	-	2,663,618
Derivative assets	3,549	-	3,549
Loans	49,282	585,944	635,226
Investments in subsidiaries, associates and joint operations	37,291	-	37,291
Assets held for sale	393,723	-	393,723
Total exposure	3,243,765	585,944	3,829,709

	Amount outstanding	2020 \$ Undrawn commitments	Total
Cash and cash equivalents	150,885	-	150,885
Securities	2,572,201	-	2,572,201
Derivative assets	4,303	-	4,303
Loans	15,924	572,284	588,208
Investments in subsidiaries, associates and joint operations	417,182	-	417,182
Total exposure	3,160,495	572,284	3,732,779

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

	2021 \$	2020 \$
Low risk		
Risk rating 1	588,158	581,391
Risk rating 2	40,000	-
Standard monitoring		
Risk rating 3	700	-
Risk rating 4	6,361	6,811
Special monitoring		
Risk rating 5	-	-
Default		
Risk rating 6	-	-
Risk rating 7	-	-
Total exposure	635,219	588,202

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	2021	2020
	\$	\$
AAA/R1H	693,432	667,575
AA/R1M	650,662	611,046
A/R1L	846,748	772,134
BBB/R2H	258,794	324,728
Exchange Traded Funds	17,754	7,776
Co-operatives	1,115	1,115
Unrated	-	10
Total exposure	2,468,505	2,384,384

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

	2021	2020
	\$	\$
AAA/R1H	49,981	33,229
AA/R1M	32,043	85,142
A/R1L	81,150	41,609
BBB/R2H	9,268	6,545
Co-operatives	5,680	4,924
Total exposure	178,122	171,449

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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 by industry.

	2021	2020
	\$	\$
Automobile financing	85,487	95,868
Banking (Schedule 1)	451,869	362,330
Information	86,141	126,390
Insurance carriers and related activities	997	997
Local credit union	491,758	468,741
Manufacturing	92,307	100,304
MAV	-	10
Mining & oil and gas extraction	67,945	29,148
Other non-depository (co-operatives)	712,657	709,718
Public administration (federal, provincial, and municipal government)	1,459,277	1,400,317
Real estate	103,676	100,354
Residential mortgages (conventional)	1,103	1,144
Retail trade	41,816	30,703
Securities, commodity contracts and other financial institutions	54,147	56,085
Transportation and warehousing	26,745	54,778
Utilities	153,784	178,579
Wholesale trade	-	17,313
Total exposure	3,829,709	3,732,779

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; and
- 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 quarterly basis. These policies outline maximum limits for the exposure of net interest income and the economic value of equity.

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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, management 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, policies, and methodologies have not changed materially from December 31, 2020.

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 200 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 200 bp shock and a 30% rate ramp scenario on the economic value of equity.

(a) Interest rate risk

The following represents the SaskCentral market risk position:

	2021		2020	
	Adjusted net interest income	Economic value of equity	Adjusted net interest income	Economic value of equity
Impact of:				
200 bp increase in rates	(9.73%)	(3.35%)	38.22%	(2.79%)
200 bp decrease in rates	2.85%	0.21%	(15.37%)	6.03%
Impact of:				
30% rate ramp increase	(0.97%)	0.11%	3.74%	(0.15%)
30% rate ramp decrease	(5.57%)	1.16%	(3.51%)	1.12%

SaskCentral's exposure to interest rate risk is the risk of capital and earnings 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 200 bp parallel shift in the yield curve will not negatively affect the economic value of equity by more than 20% or projected annual net interest income by more than 40% and a 30% rate ramp scenario will not negatively affect the economic value of equity by more than 10% or projected annual net interest income by more than 20%.

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

SaskCentral's interest rate sensitivity to a 200 bp fluctuation in the yield curve over the next twelve months would be as outlined in the following table:

	2021		2020	
	\$		\$	
	Profit (loss) for the year	Other comprehensive (loss) income	Profit (loss) for the year	Other comprehensive (loss) income
Impact of:				
200 bp increase in rates	5,305	(1,260)	7,849	(1,979)
200 bp decrease in rates	6,044	1,210	4,806	1,902

(b) 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 Schedule 1 bank rate reset preferred shares and equity exchange traded funds. SaskCentral manages its other price risk by adhering to the *Financial Management Policy*.

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 (HQLA);
- Ensuring liquidity funding sources are sufficient to meet the requirements for normal operating mode, emergency operating mode, and bridge operations;
- Complying with the requirements of the Group Clearer, which is based on the Bank of Canada's Standing Liquidity Facility;
- Maintaining access to the Standing Term Liquidity Facility to manage idiosyncratic stress events;
- Maintaining a *Liquidity Crisis Management Plan* document, and a *Capital & Liquidity Options for Credit Unions* document 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; and
- Maintaining an investment grade rating of R1-low.

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 quarterly basis.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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.

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

2021					
\$					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Notes payable	29,998	-	-	-	29,998
Total exposure	29,998	-	-	-	29,998

2020					
\$					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans payable	10,017	-	-	-	10,017
Notes payable	29,996	-	-	-	29,996
Total exposure	40,013	-	-	-	40,013

SaskCentral uses two metrics to monitor liquidity risk: the SaskCentral stand-alone Liquidity Coverage Ratio (LCR) and a system-wide LCR. The system-wide LCR is a combined view of Saskatchewan credit unions and is calculated by CUDGC. The stand-alone LCR is modeled after the CUDGC *Standards of Sound Business Practice - Liquidity Adequacy Requirements* (SSBP-LAR). This SSBP-LAR does not apply to SaskCentral; however, SaskCentral has incorporated the LAR principles in the LCR.

	2021		2020	
	\$		\$	
	System-wide LCR	Stand-alone LCR	System-wide LCR	Stand-alone LCR
Policy limit	120%	110%	120%	110%
Actual	221%	153%	279%	151%

During 2021, SaskCentral discontinued the use of the liquidity score to monitor liquidity risk. There were no other material changes to SaskCentral's liquidity risk objectives, policies, and methodologies from December 31, 2020.

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5. 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	Classification	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		2021 \$	2020 \$		
Financial assets					
Government	FVTOCI	-	13,525	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	1,459,277	1,386,792	Level 2	
<i>Corporate</i>					
Corporate debt	FVTOCI	18,994	13,753	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	694,156	778,005	Level 2	
Chartered banks	FVTOCI	153,448	139,247	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	FVTPL and designated FVTPL	296,203	210,686	Level 2	
Co-operatives ⁽¹⁾	FVTOCI	5,680	4,924	Level 2	Discounted cash flow. Future cash flows based on projected operating results of the entity and terminal growth rate ranging from 0% - 2%. Discount rate ranging 10% - 11%.
MAVIII	FVTPL	-	10	Level 2	Market comparable prices using dealer quoted prices.
Exchange Traded Funds	FVTPL	17,754	7,776	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.
<i>Derivative assets</i>					
Index-linked term deposits	FVTPL	8,655	6,855	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.

⁽¹⁾ Certain co-operative securities with a carrying value at December 31, 2021 of \$1,115 (2020 - \$1,115) are not included in this note as these securities are carried at cost because cost is the appropriate estimate of fair value.

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5. 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	Classification	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		2021 \$	2020 \$		
Financial liabilities					
Deposits	Designated FVPTL	2,407,289	2,341,186	Level 2	Discounted cash flow. Future cash flows are determined based on rates for the underlying asset portfolio, estimated using market comparable rates from Bloomberg.
<i>Derivative liabilities</i>					
Index-linked term deposits	FVTPL	8,655	6,855	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.

SaskCentral has no level 3 financial asset or liabilities valued at fair value on a recurring basis.

SaskCentral's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, 2 or 3 during the year.

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

	Carrying value as at		Fair value as at		Fair value hierarchy	Valuation technique(s)
	2021 \$	2020 \$	2021 \$	2020 \$		
Financial assets						
Commercial loans	36,061	14,811	36,040	14,797	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
Central 1 subordinated debt	7,000	7,000	7,048	6,981	Level 2	
Financial liabilities						
Deposits ⁽¹⁾	196,386	187,857	196,386	187,857	Level 2	Discounted cash flows based on current market rates of interest for similar maturities.
Loans payable	-	10,017	-	10,009	Level 2	
Notes payable	29,998	29,996	29,998	29,996	Level 2	

⁽¹⁾ Deposits designated at FVTPL are measured at fair value on a recurring basis. The fair value methods of those deposits have been disclosed in the preceding charts.

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6. CAPITAL MANAGEMENT

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

SaskCentral manages its capital by monitoring, on a quarterly basis, a number of regulatory requirements as prescribed by CUDGC and by internal Board and operational policies. The regulatory capital ratio (Borrowing Multiple) calculation is specified in the CUDGC *Capital Adequacy Requirements Prudential Standard 2017-02* for SaskCentral. Annually, SaskCentral develops a three-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 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 CUDGC. Internal board and management policies for this ratio is set at 18.5 (2020 - board policy of 17.0 and management limit of 16.0) times.

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 AOCI and goodwill. Tier 2 regulatory capital consists of subordinated debentures, less any amortization on the subordinated debentures as required by CUDGC. 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.

CUDGC also prescribes an internal capital adequacy assessment process (ICAAP) to address SaskCentral's unique conditions. ICAAP is an integrated process that evaluates capital adequacy and is used to establish capital targets that take into consideration the strategic direction and risk appetite of SaskCentral. ICAAP seeks to identify the material risks requiring capital and quantify the amount of capital that should be held in relation to those risks.

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

	2021	2020
	\$	\$
Capital		
Tier 1 and Tier 2 regulatory capital	597,244	583,609
Less deductions:		
Substantial investments	426,896	401,420
Assets of little value	186	9,060
Total borrowing multiple capital	170,162	173,129
Borrowing multiple	15.5:1	14.9:1

7. CASH AND CASH EQUIVALENTS

	2021	2020
	\$	\$
Cash and balances with Central 1	90,083	137,023
Cash and balances with banks	6,219	13,862
	96,302	150,885

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8. SECURITIES

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 74% (2020 - 70%) 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.

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

	2021					Total
	\$					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	
FVTOCI						
Corporate debt ⁽¹⁾						
Fair value	-	10,688	8,306	-	-	18,994
Amortized cost	-	10,693	8,134	-	-	18,827
Yield ⁽²⁾		0.54%	2.88%			1.56%
Chartered banks						
Fair value	66,666	32,257	54,525	-	-	153,448
Amortized cost	66,658	32,161	53,462	-	-	152,281
Yield ⁽²⁾	0.38%	0.87%	2.57%			1.26%
Co-operatives						
Fair value	-	-	-	-	5,680	5,680
Amortized cost	-	-	-	-	1,427	1,427
Total FVTOCI fair value	66,666	42,945	62,831	-	5,680	178,122
Total FVTOCI amortized cost	66,658	42,854	61,596	-	1,427	172,535
Designated FVTPL						
Government						
Fair value	196,079	304,410	958,788	-	-	1,459,277
Amortized cost	195,994	303,256	957,398	-	-	1,456,648
Yield ⁽²⁾	0.42%	0.95%	0.86%			0.82%
Corporate debt ⁽¹⁾						
Fair value	32,216	182,629	474,057	5,254	-	694,156
Amortized cost	32,190	182,097	474,802	5,218	-	694,307
Yield ⁽²⁾	1.47%	1.32%	1.58%	2.02%		1.51%
Chartered banks						
Fair value	22,923	54,022	192,768	1,011	-	270,724
Amortized cost	22,873	53,838	194,702	1,015	-	272,428
Yield ⁽²⁾	1.86%	1.29%	0.98%	2.02%		1.12%
Total designated FVTPL fair value	251,218	541,061	1,625,613	6,265	-	2,424,157
Total designated FVTPL amortized cost	251,057	539,191	1,626,902	6,233	-	2,423,383

⁽¹⁾ corporate debt includes: commercial paper and medium-term notes

⁽²⁾ represents weighted average effective interest rates based on year-end carrying values

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8. SECURITIES (continued)

	2021 (continued)					Total
	\$					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	
FVTPL						
Chartered banks						
Fair value	-	-	-	-	25,479	25,479
Amortized Cost	-	-	-	-	25,096	25,096
Yield ⁽¹⁾					4.13%	4.13%
Co-operatives						
Fair value	-	-	-	-	1,115	1,115
Amortized Cost	-	-	-	-	1,115	1,115
Exchange Traded Funds						
Fair Value	-	-	-	-	17,754	17,754
Amortized Cost	-	-	-	-	15,582	15,582
Yield					3.40%	3.40%
Total FVPTL fair value	-	-	-	-	44,348	44,348
Total amortized cost	-	-	-	-	41,793	41,793
Amortized cost						
Central 1 subordinated debentures						
Amortized cost	-	-	7,000	-	-	7,000
Yield ⁽¹⁾			0.62%			0.62%
Total amortized cost	-	-	7,000	-	-	7,000
Total carrying value of securities						2,653,627
Accrued interest						9,991
Allowance for credit losses [note 11]						(8)
						2,663,610

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

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8. SECURITIES (continued)

	2020 \$					Total
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	
FVTOCI						
Government						
Fair value	10,009	3,516	-	-	-	13,525
Amortized cost	10,000	3,497	-	-	-	13,497
Yield ⁽¹⁾	0.64%	1.96%				0.98%
Corporate debt ⁽²⁾						
Fair value	5,089	-	8,664	-	-	13,753
Amortized cost	5,091	-	8,224	-	-	13,315
Yield ⁽¹⁾	0.14%		2.88%			1.87%
Chartered banks						
Fair value	51,255	23,606	64,386	-	-	139,247
Amortized cost	51,156	23,450	61,243	-	-	135,849
Yield ⁽¹⁾	1.35%	1.28%	2.69%			1.96%
Co-operatives						
Fair value	-	-	-	-	4,924	4,924
Amortized cost	-	-	-	-	1,427	1,427
Total FVTOCI fair value	66,353	27,122	73,050	-	4,924	171,449
Total FVTOCI amortized cost	66,247	26,947	69,467	-	1,427	164,088
Designated FVTPL						
Government						
Fair value	187,224	355,509	770,210	73,849	-	1,386,792
Amortized cost	187,203	354,335	757,345	73,383	-	1,372,266
Yield ⁽¹⁾	0.27%	0.84%	1.05%	0.59%	-	0.87%
Corporate debt ⁽²⁾						
Fair value	64,904	153,421	545,611	14,069	-	778,005
Amortized cost	64,751	152,628	533,065	13,918	-	764,362
Yield ⁽¹⁾	2.11%	1.31%	1.68%	1.35%	-	1.64%
Chartered banks						
Fair value	17,888	74,411	88,403	-	-	180,702
Amortized cost	17,863	73,557	86,830	-	-	178,250
Yield ⁽¹⁾	1.99%	1.97%	1.63%			1.81%
Total designated FVTPL fair value	270,016	583,341	1,404,224	87,918	-	2,345,499
Total designated FVTPL amortized cost	269,817	580,520	1,377,240	87,301	-	2,314,878

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

⁽²⁾ corporate debt includes: commercial paper and medium-term notes

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8. SECURITIES (continued)

	2020 (continued)					Total
	\$					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	
FVPTL						
Chartered banks						
Fair value	-	-	-	-	29,984	29,984
Amortized Cost	-	-	-	-	29,427	29,427
Yield ⁽¹⁾					5.58%	5.58%
Co-operatives						
Fair value	-	-	-	-	1,115	1,115
Amortized Cost	-	-	-	-	1,115	1,115
Exchange Traded Funds						
Fair Value	-	-	-	-	7,776	7,776
Amortized Cost	-	-	-	-	7,635	7,635
Yield	-	-	-	-	4.10%	4.10%
MAV						
Fair value	-	-	-	10	-	10
Total FVPTL fair value	-	-	-	10	38,875	38,885
Total amortized cost	-	-	-	-	38,177	38,177
Amortized cost						
Central 1 subordinated debentures						
Amortized cost	-	-	-	7,000	-	7,000
Yield ⁽¹⁾				0.56%		0.56%
Total amortized cost	-	-	-	7,000	-	7,000
Total carrying value of securities						2,562,833
Accrued interest						9,368
Allowance for credit losses [note 11]						(7)
						2,572,194

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

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8. SECURITIES (continued)

Unrealized gains and losses on securities

	2021 \$			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
FVTOCI securities				
Corporate and chartered banks	172,535	5,613	(26)	178,122
	172,535	5,613	(26)	178,122
Designated FVTPL securities				
Government	1,456,648	6,209	(3,580)	1,459,277
Corporate and chartered banks	966,735	3,766	(5,621)	964,880
	2,423,383	9,975	(9,201)	2,424,157
FVTPL securities				
Chartered banks and co-operatives	41,793	2,561	(6)	44,348
	41,793	2,561	(6)	44,348
	2,637,711	18,149	(9,233)	2,646,627

	2020 \$			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
FVTOCI securities				
Government	13,497	28	-	13,525
Corporate and chartered banks	150,591	7,356	(23)	157,924
	164,088	7,384	(23)	171,449
Designated FVTPL securities				
Government	1,372,266	14,859	(333)	1,386,792
Corporate and chartered banks	942,612	16,105	(10)	958,707
	2,314,878	30,964	(343)	2,345,499
FVTPL securities				
Chartered banks and co-operatives	38,177	711	(3)	38,885
	38,177	711	(3)	38,885
	2,517,143	39,059	(369)	2,555,833

There were no credit impaired (Stage 3) securities in either 2021 or 2020.

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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.

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.

Notional amounts and term to maturity

	2021				Total
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Index-linked term deposits	8,718	14,435	27,157	-	50,310

	2020				Total
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Index-linked term deposits	9,159	9,767	39,589	-	58,515

Fair value of derivative instruments

	2021		2020	
	Positive	Negative	Positive	Negative
Index-linked term deposits	8,655	8,655	6,855	6,855

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Amounts expected to be recovered or settled

	2021		2020	
	Positive	Negative	Positive	Negative
Within 12 months	3,686	3,686	2,260	2,260
After 12 months	4,969	4,969	4,595	4,595
	8,655	8,655	6,855	6,855

SaskCentral does not make any representations as to the derivative transactions related to the manufacturing of the index-linked term deposits, 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.

10. LOANS

	2021	2020
	\$	\$
Credit union	13,214	1,107
Commercial loans	36,061	14,811
	49,275	15,918
Accrued interest	7	6
Allowance for credit losses [note 11]	(22)	(16)
	49,260	15,908

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

	2021				Total
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Credit union					
Amortized cost (\$)	13,214	-	-	-	13,214
Rate (%)	1.61%				1.61%
Commercial loans					
Amortized cost (\$)	700	-	35,361	-	36,061
Rate (%)	-		2.45%		2.40%
Amortized cost	13,914	-	35,361	-	49,275

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10. LOANS (continued)

	2020				Total
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Credit union					
Amortized cost (\$)	1,107	-	-	-	1,107
Rate (%)	1.95%				1.95%
Commercial loans					
Amortized cost (\$)	-	13,000	1,811	-	14,811
Rate (%)	-	2.45%	2.45%	-	2.45%
Amortized cost	1,107	13,000	1,811	-	15,918

11. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES

The following table presents the changes to the allowance for credit losses on financial assets under IFRS 9.

	2021 \$	2020 \$
Allowance on financial assets at amortized cost		
Balance as at January 1	23	13
Provision for credit losses on financial assets	7	10
Balance at December 31	30	23
Allowance on financial assets at FVTOCI		
Balance as at January 1	37	39
Provision for credit losses (recoveries) on financial assets	6	(2)
Balance at December 31	43	37
Total allowance for credit losses		
Balance as at January 1	60	52
Provision for credit losses on financial assets	13	8
Balance at December 31	73	60

For the purpose of impairment assessment, the investments in financial assets above are considered to have low credit risk as the counterparties to these investments have an investment grade credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the allowance for credit losses is measured at an amount equal to a 12-month ECL. There is no lifetime allowance at December 31, 2021.

SaskCentral is exposed to credit risk in relation to securities and loans. SaskCentral doesn't hold any collateral on loans or publicly traded securities. The credit risk on loans to credit unions is mitigated because of the *General Security Agreement* between SaskCentral and the credit unions. SaskCentral has not recognized an allowance for credit losses for the credit union loans that are collateralized by the *General Security Agreement*.

The allowance for credit losses on financial assets at FVTOCI is not recognized in the separate balance sheet because the carrying amount of securities at FVTOCI is fair value. The cumulative amount of the provision for credit losses recognized in the separate statement of profit or loss is presented in AOCI. The provision for credit losses on financial assets measured at FVTOCI is recognized in OCI.

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12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Concentra Bank

At December 31, 2021, SaskCentral holds 84.02% (2020 - 84.02%) of the voting common shares of Concentra Bank. Concentra Bank provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers. Concentra Bank's registered place of business is Saskatoon, Saskatchewan. As described in note 28, on December 31, 2021 SaskCentral's investment in Concentra Bank was classified as assets held for sale. The financial information for SaskCentral's investment in Concentra Bank is disclosed in note 28.

Celero Solutions

At December 31, 2021, SaskCentral has a 33.33% (2020 - 33.33%) interest in Celero Solutions, an arrangement between SaskCentral, Alberta Central and Credit Union Central of Manitoba 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.

CUC Wealth

At December 31, 2021, SaskCentral has a 10.92% (2020 - 10.92%) interest in CUC Wealth, which was created to hold SaskCentral, Atlantic Central, Central 1, Credit Union Central of Manitoba, Alberta Central and the Co-operators investment share in Aviso. CUC Wealth's principal place of business is Winnipeg, Manitoba.

PPJV

As described in note 3, on January 1, 2020, SaskCentral formally entered into the joint venture agreement with Alberta Central and Manitoba Central to administer the outsourcing of payment processing capabilities with IBM Canada Ltd., previously performed by CUPS. SaskCentral has 33.33% (2020 - 33.33%) interest in PPJV. PPJV's principal place of business is Calgary, Alberta.

SEF JV

At December 31, 2021, SaskCentral has a nil 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. On June 30, 2020, SEF JV was dissolved. As part of the dissolution, a final payment of \$170 was issued to SaskCentral, which resulted in \$nil gain or loss. SEF JV's principal place of business was Regina, Saskatchewan.

Effective December 15, 2020, CUVentures LP and CUVentures Inc. were dissolved. Prior to dissolution of CUVentures LP and CUVentures Inc., SaskCentral owned SEF JV through its 100% (2020- 100%) ownership of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral had control over CUVentures LP. CUVentures LP's principal place of business was Regina, Saskatchewan

For the purposes of these separate financial statements, SaskCentral accounts for the above as investments using the equity method. Related party transactions for these investees, if any, are disclosed in note 26.

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12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

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

2021						
\$						
	Assets	Liabilities	Revenue	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Celero Solutions	61,605	44,452	70,650	6,302	-	6,302
CUC Wealth	145,988	17,627	26,506	21,197	(1,398)	19,799
PPJV	82,462	126,331	37,325	(33,363)	-	(33,363)
	290,055	188,410	134,481	(5,864)	(1,398)	(7,262)

2020						
\$						
	Assets	Liabilities	Revenue	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income
Concentra Bank	11,063,911	10,536,796	316,748	25,383	10,319	35,702
Celero Solutions	56,785	38,980	59,929	1,214	-	1,214
CUC Wealth	135,385	11,795	22,106	20,870	954	21,824
PPJV	56,928	67,434	30,420	(10,506)	-	(10,506)
SEF JV	435	61	2	(15)	-	(15)
	11,313,444	10,655,066	429,205	36,946	11,273	48,219

A reconciliation of Celero Solutions, CUC Wealth, PPJV and SEF JV's financial information to the carrying amount of SaskCentral's interest in these investments recognized in the separate financial statements is provided below.

2021			
\$			
	Celero Solutions	CUC Wealth	PPJV
Net assets (liabilities) of the associates and joint operations	17,153	128,361	(43,869)
Proportion of SaskCentral's ownership interest	33.3%	10.92%	33.3%
	5,718	14,017	(14,623)
Fair value differential upon acquisition	-	19,386	-
Accumulated amortization of fair value differential	-	(1,982)	-
Other adjustments	97	55	213
Carrying amount of SaskCentral's interest in associates and joint operations	5,815	31,476	(14,410)

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12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

	2020 \$			
	Celero Solutions	CUC Wealth	PPJV	SEF JV
Net assets of the associates and joint operations	17,805	123,590	(10,506)	374
Proportion of SaskCentral's ownership interest	33.3%	10.92%	33.33%	45.45%
	5,935	13,496	(3,502)	170
Fair value differential upon acquisition	-	19,386	-	-
Accumulated amortization of fair value differential	-	(1,453)	-	-
Other adjustments	(49)	-	213	(170)
Carrying amount of SaskCentral's interest in associates and joint operations	5,886	31,429	(3,289)	-

A reconciliation of Concentra Bank's 2020 financial information to the carrying amount of SaskCentral's interest in Concentra Bank recognized in these separate financial statements is provided below.

2020	Concentra Bank equity components		SaskCentral's carrying amount
	\$	%	\$
Ending share capital	245,239		
Concentra shares held by other common shareholders	(16,192)		
Concentra shares held by Class A preferred shareholders	(110,987)		
SaskCentral's portion of share capital	118,060		118,060
Ending retained earnings	268,322		
Accumulated other comprehensive income	13,554		
Retained earnings at date of asset transfer (January 1, 2005) ⁽¹⁾	(22,628)	55.76%	12,617
Dividend on 2005 earnings ⁽¹⁾	2,579	55.76%	(1,438)
Retained earnings prior to continuance ⁽²⁾	(168,905)	84.30%	142,387
Retained earnings attributable to common shareholders	92,922	84.02%	78,073
			349,699
Goodwill			(19,248)
Fair value increase as result of change in control ⁽²⁾			48,343
Accumulated amortization of fair value differential ⁽²⁾			2,003
Other adjustments			(930)
Carrying amount of SaskCentral's investment in Concentra Bank			379,867

⁽¹⁾ On January 1, 2005, a significant portion of SaskCentral's financial assets and financial liabilities were transferred to Concentra Financial. In exchange for net assets transferred, SaskCentral received additional non-voting Class A shares. As a result, in 2005, SaskCentral's ownership interest at January 1, 2005 was 55.76%. SaskCentral's portion of non-voting Class A dividend received from Concentra Financial in 2005 was 55.76%, or \$1,438.

⁽²⁾ On January 1, 2017, Concentra Financial ceased operations as an association governed by the CCAA and continued as a Schedule 1 chartered bank governed by the Bank Act (Canada). Prior to the bank continuance, SaskCentral held 84.02% of the non-voting Class A shares. As a result of the bank continuance, Concentra Bank became a subsidiary of SaskCentral on January 1, 2017.

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12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS (continued)

During the period, SaskCentral received the following distributions from its investments in subsidiaries, associates and joint operations:

	2021	2020
	\$	\$
Concentra Bank	4,512	4,512
Celero Solutions	2,243	1,307
CUPS	-	1,534
CUC Wealth	125	83
SEF JV	-	170
	6,880	7,606

13. PROPERTY, PLANT AND EQUIPMENT

	2021			
	\$			
	Land	Building	Furniture and equipment	Total
Cost				
Balance as at January 1	859	12,749	2,176	15,784
Additions	-	40	217	257
Disposals	-	(1)	(263)	(264)
Ending balance as at December 31	859	12,788	2,130	15,777
Accumulated depreciation				
Balance as at January 1	-	9,049	1,799	10,848
Depreciation charges	-	320	110	430
Disposals	-	(1)	(179)	(180)
Ending balance as at December 31	-	9,368	1,730	11,098
Carrying value as at December 31	859	3,420	400	4,679

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	2020 \$			
	Land	Building	Furniture and equipment	Total
Cost				
Balance as at January 1	859	13,114	2,667	16,640
Additions	-	62	124	186
Disposals	-	(427)	(615)	(1,042)
Ending balance as at December 31	859	12,749	2,176	15,784
Accumulated depreciation				
Balance as at January 1	-	9,151	2,281	11,432
Depreciation charges	-	325	133	458
Disposals	-	(427)	(615)	(1,042)
Ending balance as at December 31	-	9,049	1,799	10,848
Carrying value as at December 31	859	3,700	377	4,936

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:

	2021 \$	2020 \$
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	2,466	2,265
Depreciation charges	201	201
Ending Balance as at December 31	2,667	2,466
Carrying Value as at December 31	8,782	8,983

The fair value of SaskCentral's investment property at December 31, 2021 is \$13,958 (2020 - \$15,375). The fair value of the investment property has been arrived at on the basis of an external valuation completed by Colliers.

The 2021 fair value was determined using the discounted cash flow method. The discounted cash flow method determines the value of an investment based on its future cash flows. The present value of expected cash flow is calculated using a discount rate. The estimate of fair value was performed using a 10-year projected cash flow.

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14. INVESTMENT PROPERTY (continued)

A summary of inputs (Level 3) used to calculate fair value of investment property in 2021 is provided below:

Discounted cash flow approach	2021
Inflation rate	2.50%
Vacancy rate	7%
Discount rate	8%

In 2020, 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 the investment property is the current use.

A summary of inputs (Level 3) used to calculate fair value of investment property in 2020 is provided below:

Income approach	2020
Rent per square foot (in actual Canadian dollars)	\$10 - \$16
Parking rate per month (in actual Canadian dollars)	\$208.00
Vacancy rate	15.37%
Capitalization rate	7.5%

In 2021, investment property generated rental income of \$1,660 (2020 - \$2,306). Direct operating expenses recognized in the separate income statement were \$849 (2020 - \$1,631).

15. INTANGIBLE ASSETS

	2021		
	\$		
	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	2,134	550	2,684
Additions	970	356	1,326
Disposals	(1,296)	(906)	(2,202)
Ending balance as at December 31	1,808	-	1,808
Accumulated amortization			
Balance as at January 1	2,125	-	2,125
Amortization charges	96	-	96
Disposals	(1,296)	-	(1,296)
Ending balance as at December 31	925	-	925
Carrying value as at December 31	883	-	883

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS (continued)

	2020		
	\$		
	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	2,134	47	2,181
Additions	-	503	503
Ending balance as at December 31	2,134	550	2,684
Accumulated amortization			
Balance as at January 1	2,122	-	2,122
Amortization charges	3	-	3
Ending balance as at December 31	2,125	-	2,125
Carrying value as at December 31	9	550	559

16. INCOME TAXES

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

	2021	2020
	\$	\$
Deferred income tax recovery on continuing operations		
Origination and reversal of temporary differences	(3,873)	(1,410)
Deferred income tax expense on discontinued operations		
Origination and reversal of temporary differences	13,969	-
	10,096	(1,410)

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

	2021	2020
	\$	\$
Net unrealized (losses) gains on financial instruments		
Deferred income tax (recovery) expense	(576)	796
	(576)	796
Reclassification of gains on financial instruments		
Deferred income tax recovery	(3)	(4)
	(3)	(4)
Own credit risk reserve		
Deferred income tax expense (recovery)	1,131	(862)
	1,131	(862)
	552	(70)

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16. INCOME TAXES (continued)

Total income tax reported in the separate financial statements:

	2021	2020
	\$	\$
	10,648	(1,480)

Reconciliation of income tax recovery from continuing operations:

	2021	2020
	\$	\$
Combined federal and provincial income tax rate applied to (losses) profit from continuing operations (2021 - 27%; 2020 - 27%)	(3,241)	5,651
Income tax (recovery) expense adjusted for the effect of:		
Non-taxable dividend income	(77)	(89)
Expenses not deductible for tax purposes	12	21
Adjustments related to prior periods	-	(61)
Tax not recorded on equity pick-up of subsidiary	108	(4,091)
Reduction in income taxes due to payment of dividends	(606)	(2,709)
Amounts taxed at other than general income tax rate	(69)	(132)
Income tax recovery on continuing operations	(3,873)	(1,410)

The income tax recovery on continuing operations excludes the tax expense from the discontinued operations of \$13,969 (2020 - nil). This has been included in 'profit from discontinued operations, net of tax' in the separate statement of profit or loss (see note 28). During 2021, SaskCentral determined that it was probable that the temporary differences relating to Concentra Bank will reverse in the foreseeable future. Therefore, the deferred income tax liability from discontinued operations reflects temporary differences related to Concentra Bank.

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19% (2020 - 21%). The movement in deferred income tax asset (liability) is as follows:

	2021	2020
	\$	\$
Balance, beginning of year	8,787	7,310
Recognized in profit or loss	3,873	1,410
FVTOCI:		
Fair value measurement	(555)	63
Transfer to profit or loss	3	4
Balance, end of year	12,108	8,787

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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16. INCOME TAXES (continued)

The components of deferred income taxes are as follows:

	2021	2020
	\$	\$
Deferred income tax assets		
Non-capital loss carryforward	18,625	14,701
Accounts payable and deferred revenue	103	111
Losses not yet deductible for tax purposes	56	71
Other	10	3
	18,794	14,886
Deferred income tax liabilities		
Securities	(5,875)	(5,388)
Property, plant and equipment	(811)	(711)
	(6,686)	(6,099)
Net deferred income tax asset	12,108	8,787
	2021	2020
	\$	\$
Deferred income tax assets		
Recoverable within 12 months	13,969	-
Recoverable after more than 12 months	4,825	14,886
	18,794	14,886
Deferred income tax liabilities		
Payable after more than 12 months	(6,686)	(6,099)
	(6,686)	(6,099)
Net deferred income tax asset	12,108	8,787

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 \$68,986 (2020 - \$54,446) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the years 2030 (\$7,237), 2032 (\$1,447), 2037 (\$17,958), 2038 (\$18,007), 2040 (\$9,843) and 2041 (\$14,494). The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

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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:

	2021						Total
	\$						
	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	
Member							
Amortized cost	196,386	-	-	-	-	-	196,386
Yield ⁽¹⁾	0.02%						0.02%
Provincial liquidity program							
Designated FVTPL ⁽²⁾	-	287,704	306,630	927,589	-	885,366	2,407,289
Yield ⁽¹⁾		2.01%	1.48%	1.22%		0.37%	1.04%
	196,386	287,704	306,630	927,589	-	885,366	2,603,675
Accrued interest							4,517
							2,608,192

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

⁽²⁾ the amortized cost of deposits designated at FVTPL at December 31, 2021 is equal to \$2,408,968, resulting in cumulative unrealized gains on these deposits of \$1,679.

	2020						Total
	\$						
	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	
Member							
Amortized Cost	187,857	-	-	-	-	-	187,857
Yield ⁽¹⁾	0.02%						0.02%
Provincial liquidity program							
Designated FVTPL ⁽²⁾	-	100,009	299,567	980,788	1,754	959,068	2,341,186
Yield ⁽¹⁾		1.70%	1.62%	1.76%	0.94%	0.36%	1.17%
	187,857	100,009	299,567	980,788	1,754	959,068	2,529,043
Accrued interest							5,375
							2,534,418

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

⁽²⁾ the amortized cost of deposits designated at FVTPL at December 31, 2020 is equal to \$2,313,806, resulting in cumulative unrealized losses on these deposits of \$27,380.

Interest rates on deposits are determined by market conditions.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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18. LOANS AND NOTES PAYABLE

Repurchase 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. There is no outstanding balance at the 2021 year-end. Prior year repurchase agreements matured within one month.

Lines of credit

In addition, SaskCentral has a credit facility with Central 1 for \$100,000 (2020 - \$100,000) for which SaskCentral has pledged securities with the Bank of Canada to support the group clearing agreement (note 27). 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 \$40,000 (2020 - \$40,000) where SaskCentral is required to maintain a borrowing base comprised of fixed income collateral. This line of credit bears interest at banker's acceptance rate plus 0.45% (2020 - banker's acceptance rate plus 0.60%).

Notes payable

SaskCentral is authorized to issue a maximum of \$300,000 (2020 - \$300,000) under a commercial paper program. Outstanding commercial paper matures within one month (2020 - one month).

Secured funding facilities

SaskCentral has access to a liquidity facility offered by the Bank of Canada, namely the Standing Term Liquidity Facility (STLF). SaskCentral had no outstanding balance (2020 - \$nil) under this facility. STLF advances are secured by Eligible Collateral as per the terms and conditions of the STLF.

	Loans and notes payable		Collateral			
	2021	2020	Securities pledged		2021	2020
			Fair value	Carrying value		
	\$	\$	2021	2020	\$	\$
Repurchase payable ⁽¹⁾	-	10,017	-	10,009	-	10,000
Central 1 line of credit ⁽²⁾	-	-	225,635	182,779	223,319	175,404
Commercial paper ⁽³⁾	29,998	29,996	-	-	-	-
	29,998	40,013	225,635	192,788	223,319	185,404

⁽¹⁾ Weighted average effective interest rate based on year-end carrying values is nil (2020 - 0.29%).

⁽²⁾ Weighted average effective interest rate based on year-end carrying values is nil (2020 - 0.25%).

⁽³⁾ Weighted average effective interest rate based on year-end carrying values is 0.26% (2020 - 0.36%).

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19. SHARE CAPITAL

Under the Act, SaskCentral is authorized to issue an unlimited number of membership shares. Also, under the Act SaskCentral may, by bylaw, establish one or more classes of membership. SaskCentral is authorized to issue the following classes of membership shares:

- An unlimited number of Class A membership shares
- An unlimited number of Class B membership shares
- An unlimited number of investment shares

Each member of SaskCentral must own at least one Class A or Class B membership share.

SaskCentral's bylaws require that credit unions maintain either Class A or Class B membership share capital in SaskCentral at a minimum of 0.60% and a maximum of 1% of their previous year's assets.

Class A membership shares

The Class A membership shares entitle the holders to vote. Voting privileges are restricted to one vote per member, regardless of the number of Class A membership shares held by a member except in circumstances where a representative vote is requested, in which case voting is conducted on a representative basis using a formula calculated by the Board. The Class A shares also provide the right to receive dividends declared on the Class A membership shares. The holders of the Class A membership shares are Saskatchewan credit unions and certain co-operative associations.

Class A 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, Class A membership shares are to be issued and redeemed at \$10 per share. Upon liquidation or dissolution of SaskCentral, the Class A membership shareholders will be entitled to receive \$10 per share prior to the holders of the Class B membership shares. Following the distribution of the \$10 per share to both Class A and B members, the Class A shareholders are entitled to share equally, on a share by share basis, with the Class B membership shares in the remaining assets of SaskCentral.

At December 31, 2021, 17,526,177 Class A membership shares (2020 - membership shares of 16,868,995) were issued and outstanding. Membership shares issued during the year were exchanged for cash.

Class B membership shares

The Class B membership shares provide the right to vote, with similar voting privileges as Class A membership shares, and the right to receive dividends declared on the Class B membership shares. Class B membership shares may be redeemed only with the approval of the Board subject to the limits provided in the Act. In accordance with the bylaws of SaskCentral, Class B membership shares are to be issued and redeemed at \$10 per share. Upon liquidation or dissolution of SaskCentral, the Class B membership shareholders will be entitled to receive \$10 per share following the payment of \$10 per share to the holders of the Class A membership shares. Following the distribution of the \$10 per share to both Class A and B members, the Class B shareholders are entitled to share equally, on a share by share basis, with the Class A membership shares in the remaining assets of SaskCentral.

There are currently no series of Class B membership shares approved for issuance.

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19. SHARE CAPITAL (continued)

Investment shares

The investment shares entitle the holder to receive non-cumulative cash dividends as and when declared by the Board. The holders of investment shares will not be entitled to attend any meeting of members of SaskCentral and will not be entitled to vote at any such meeting. Upon liquidation, dissolution or wind-up, the holders of the investment shares will be entitled to receive, before any amount shall be paid or any assets shall be distributed to the holders of any other shares of any other class, an amount equal to a redemption amount. The redemption amount for each investment share is equal to the aggregate consideration determined upon issuance of the shares. After payment of the redemption amount, the holders of investment shares will not be entitled to share in any further distribution of assets of SaskCentral.

There are currently no series of investment shares approved for issuance.

20. DIVIDENDS

In 2021, dividends of \$5,063 (2020 - \$14,542) were declared, as approved by the Board. Of the amount recognized in 2021, on December 14, 2021, the Board approved payment of a dividend of \$564 to be paid to credit unions on January 21, 2022.

21. NET INTEREST INCOME

	2021	2020
	\$	\$
Interest income		
Financial assets measured at amortized cost	1,141	686
Financial assets measured at FVTOCI	2,387	4,087
Financial assets measured at FVTPL	2,000	1,326
Financial assets designated at FVTPL	25,643	34,714
	31,171	40,813
Interest expense		
Financial liabilities measured at amortized cost	132	534
Financial liabilities designated at FVTPL	25,102	34,216
	25,234	34,750
Net interest income	5,937	6,063

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22. ASSESSMENT REVENUE AND FEE FOR SERVICE REVENUE

Disaggregation of revenue

In the following tables, revenue is disaggregated by timing of revenue recognition and major revenue sources.

	2021	2020
	\$	\$
Assessment revenue		
<i>Services transferred over time</i>		
Liquidity management assessment	5,722	4,963
Other assessment revenue	-	462
	5,722	5,425

	2021	2020
	\$	\$
Fee for service revenue		
<i>Services transferred at a point in time</i>		
Deposit and lending education	369	257
<i>Services transferred over time</i>		
Consulting	4,368	4,660
Management oversight	1,248	2,059
Other revenue		
Rental revenue	1,935	2,624
Parking revenue	208	288
Foreign exchange	(34)	7
Miscellaneous revenue	52	25
	7,777	9,663
	8,146	9,920

23. SALARY AND EMPLOYEE BENEFITS

	2021	2020
	\$	\$
Contributions to defined contribution plans	423	455
Employee training and development	65	85
Other employee benefits	629	591
Salaries and incentive compensation	8,495	7,968
Termination benefits	932	-
	10,544	9,099

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 separate financial statements. As a defined contribution pension plan, SaskCentral has no future obligation for future contributions to fund benefits to plan members.

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23. SALARY AND EMPLOYEE BENEFITS (continued)

Due to COVID-19, the Government of Canada implemented the COVID-19 Economic Response Plan. Under the plan SaskCentral is eligible for the Canada Emergency Wage Subsidy (CEWS). The subsidy supports eligible Canadian businesses impacted by COVID-19. The program is divided into 21 four week periods. To be eligible for the first period businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reduction of greater than 30%. For the remaining periods, a sliding scale based on overall revenue reduction in each period is used. SaskCentral recorded a wage subsidy of \$894 (2020 - \$1,192) under the CEWS program. SaskCentral has recognized the subsidy as a reduction in salaries.

24. PROFESSIONAL AND ADVISORY SERVICES

	2021	2020
	\$	\$
Concentra Bank consulting fees	684	640
Professional fees	4,809	5,369
	5,493	6,009

25. (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	2021	2020
	\$	\$
Realized gains arising on financial assets measured as at FVTOCI	11	15
Unrealized gains arising on financial assets measured at FVTPL	1,849	426
Unrealized (losses) gains arising on financial assets designated as at FVTPL	(29,847)	23,830
Realized gains arising on financial assets designated as at FVTPL	158	973
Unrealized gains (losses) arising on financial liabilities designated as at FVTPL	29,059	(21,897)
Reclassification of net change in fair value on financial liabilities designated as at FVTPL from profit or loss to OCI (own credit risk reserve)	(4,190)	3,193
	(2,960)	6,540

26. 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, Chief Financial Officer / Chief Risk Officer, Chief Transformation Officer, Head of Governance & Legal, Head of Treasury Solutions, Head of Financial Management & Reporting, Head of Innovation & Technology, Head of Professional Services & Solutions, and Head of Corporate Services.

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 impairment.

SaskCentral provides a variety of services to Concentra Bank, Celero Solutions and PPJV. Some of the services provided include facility services and financial services. SaskCentral also receives financial services from Concentra Bank and technology services from Celero Solutions and PPJV.

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26. RELATED PARTY TRANSACTIONS (continued)

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

	2021	2020
	\$	\$
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	1,361	1,811
Due from included in trade and other receivables	185	80
Due to included in trade and other payables	852	1,114
Interest received from	44	62
Fee for service revenue received from	881	968
Technology services paid to	8,897	9,561
Concentra Bank		
Lines of credit authorized to	100,000	100,000
Collateral received from	153,564	20,350
Due from included in trade and other receivables	12	11
Deposits payable to	14,923	24,359
Due to included in trade and other payables	58	83
Interest received from	35	58
Fee for service revenue received from	1,146	1,142
Financial services fees paid to	797	765
PPJV		
Lines of credit authorized to	40,000	17,000
Loans receivables from (amount drawn on line of credit)	34,000	13,000
Due from included in trade and other receivables	2	-
Interest received from	653	136
Fee for service revenue received from	26	-
Services charges paid to	4	4

Key management compensation

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

	2021	2020
	\$	\$
Directors		
Salaries and other short-term employee benefits	100	117
Post-employment benefits	5	5
	105	122
Key management personnel		
Salaries and other short-term employee benefits	2,777	2,767
Post-employment and other long-term benefits	151	179
Termination benefits	567	-
	3,495	2,946
	3,600	3,068

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27. 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.

	2021	2020
	\$	\$
Lines of credit and loan commitments		
Original term to maturity of one year or less	585,944	572,284

Contractual commitments

As of December 31, 2021, SaskCentral has significant contractual commitments made on behalf of credit unions for data, management, risk management, technology management support and telecommunication services. In addition, SaskCentral also has contractual commitments for its own operations. The contracts have varying terms over 5 years.

The following table summarizes the expected cash outflows resulting from these contracts over their respective terms.

	2022	2023	2024	2025	2026	Total
	\$	\$	\$	\$	\$	
Contractual commitments	2,991	1,775	1,682	410	145	7,003

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.

Prairie Payments Joint Venture Agreement

Under the terms of the *Prairie Payments Joint Venture Agreement*, the revenues, expenses, losses and costs of capital projects of PPJV belong to and are borne exclusively and in equal share by the joint venturers. Each joint venture is contractually responsible for its share of the liabilities of the PPJV and for funding its share of ongoing expenses. The PPJV has contractual agreements until 2030 for the development and operation of a payments processing platform. SaskCentral's proportionate share of these commitments is \$52,181.

28. DISCONTINUED OPERATIONS

On December 14, 2021, the Board resolved to enter into an exclusive negotiating period with a prospective buyer with respect to SaskCentral's investment in Concentra Bank and negotiations have subsequently taken place. The disposition is consistent with SaskCentral's long-term business plan. SaskCentral's investment in Concentra Bank, which is expected to be sold within twelve months, has been classified as held for sale and presented separately in the separate balance sheet. The comparative separate statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

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The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognized on the classification of these assets held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2021
	\$
Assets held for sale	
Investment in subsidiary	393,723
Liabilities associated with assets held for sale	
Deferred income tax liability	13,969

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2021	2020
	\$	\$
Share of profits of subsidiary	31,166	14,703
Attributable tax expense	13,969	-
Profit for the year from discontinued operations	17,197	14,703

The cumulative loss included in AOCI relating to the disposal group is \$1,700.

The cash flows from (used in) discontinued operation were as follows:

	2021	2020
	\$	\$
Net cash from investment activities	4,512	4,512
Net cash flows for the year	4,512	4,512

29. SUBSEQUENT EVENT

As disclosed in note 28, on December 14, 2021 the Board approved the intention to dispose of all shares of its ownership in Concentra Bank. On February 7, 2022, SaskCentral, Concentra Bank and Equitable Bank, the wholly owned subsidiary of Equitable Group Inc., announced that Equitable Bank entered into definitive agreements by which Equitable Bank will acquire SaskCentral's 84.02% common share equity interest in Concentra Bank as well as support agreements with additional Concentra Bank shareholders representing a majority of the remaining 15.98% common share ownership.

Together, these agreements will enable Equitable Bank to acquire 100% of Concentra Bank for a combined premium of \$35,700 to book value of common equity, of which SaskCentral's portion is \$30,000. Based on Concentra's book value at December 31, 2021, this would result in a total purchase price of \$395,000 for SaskCentral's share in Concentra Bank, subject to customary adjustments at the time of closing. The transaction is subject to approval by regulatory authorities and is expected to take place in the second half of 2022. Management is still assessing the full financial impact of this transaction on these separate financial statements.

CONSOLIDATED 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, 2021. For the purpose of SaskCentral's consolidated MD&A, SaskCentral refers to the consolidated entity, including its downstream investees, Concentra Bank (operating under the trade name Wyth Financial), Prairie Payments Joint Venture (PPJV), Celero Solutions and CU CUMIS Wealth Holdings LP (CUC Wealth).



CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS

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 March 2, 2022 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 and 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, alignment of strategies of potential partners, 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.

SASKCENTRAL'S STRATEGIC PARTNERS

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

A summary of SaskCentral's strategic partners and their classification for accounting purposes is as follows:

Strategic Partner	Accounting Classification
Concentra Bank	Subsidiary
Celero Solutions	Investment in associate
CUC Wealth	Investment in associate
Prairie Payments Joint Venture (PPJV)	Subsidiary

Of these strategic partners, Concentra Bank is the most significant in terms of assets, liabilities, and profit (loss) generated. Specific details on Concentra Bank's financial performance consolidated in the results below have not been identified in this report. For further information on Concentra Bank's 2021 financial results, please visit their website at www.wyth.ca.

CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS

2021 SASKCENTRAL CONSOLIDATED FINANCIAL PERFORMANCE

Results Overview

SaskCentral's consolidated financial performance includes results from subsidiaries, associates, and joint operations. The following table provides a summary of the key consolidated financial highlights.

Assets Held for Sale and Discontinued Operations

As described in note 30 of the consolidated financial statements, on December 14, 2021, the Board resolved to enter into an exclusive negotiating period with a prospective buyer to SaskCentral's investment in Concentra

Bank and negotiations have subsequently taken place. The disposition is consistent with SaskCentral's long-term business plan. SaskCentral's investment in Concentra Bank, which is expected to be sold within twelve months, has been classified as held for sale and presented separately in the consolidated balance sheet. The comparative consolidated statement of profit or loss and other comprehensive income (OCI) for 2021 and 2020 has been restated to show the discontinued operations separately from continuing operations. Results from continued operations and discontinued operations are discussed separately and referenced throughout this MD&A. Please refer to note 30 of the consolidated financial statements for details on the operating results from discontinued operations.

Consolidated Financial Highlights

December 31 (in thousands)	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
Profit from continuing operations					
Net interest income after provision for credit losses	5,611	6,055	96,824	108,521	99,941
Non-interest income	24,776	17,769	63,525	52,876	97,495
Non-interest expense	42,818	18,518	103,030	97,885	92,210
Income tax (recovery) expense	(3,873)	(1,410)	11,910	17,986	(7,911)
(Loss) profit continuing operations	(8,558)	6,716	45,409	45,526	113,137
Profit from discontinuing operations	27,931	23,520	-	-	-
Profit for the year	19,373	30,236	45,409	45,526	113,137
Distribution of income					
Dividends (includes non-controlling interests)	10,300	20,505	21,223	41,075	19,894
Distribution as a % of average share capital	6.0%	12.3%	12.9%	25.3%	12.3%
Financial Position					
Securities	2,663,610	3,724,597	3,128,436	2,995,653	3,077,842
Loans	15,258	8,843,532	7,586,152	8,311,602	7,721,935
Deposits	2,593,269	8,845,155	6,607,380	7,039,434	5,998,315
Equity	783,402	781,276	758,047	726,357	711,060

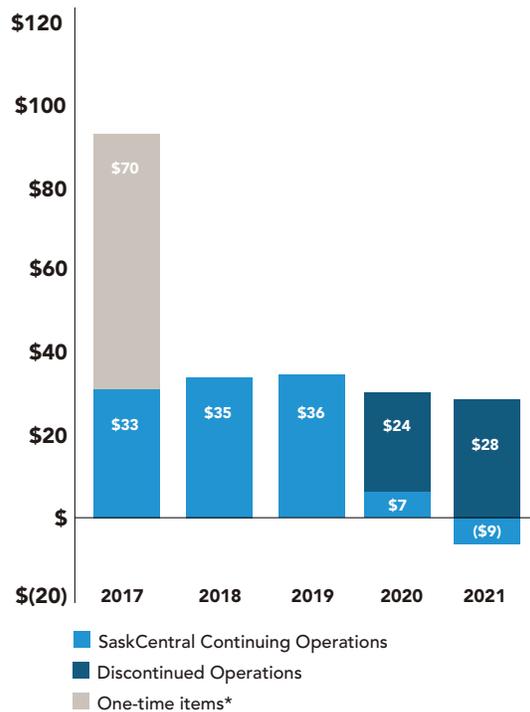
Further to the financial highlights above, SaskCentral's consolidated performance is summarized according to the following categories: profitability; growth; and return on equity (ROE).

CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS

Profitability

SaskCentral's profit was \$19.4 million (2020 – \$30.2 million), of which \$10.3 million (2020 - \$7.9 million) is attributable to non-controlling interests (NCI). Discontinued operations contributed \$27.9 million to SaskCentral's consolidated profit in 2021 (2020 – \$23.5 million).

Consolidated Profits (in millions)



* One-time item relates to gain on acquisition of control of Concentra Bank and the income tax recovery in 2017.

Growth

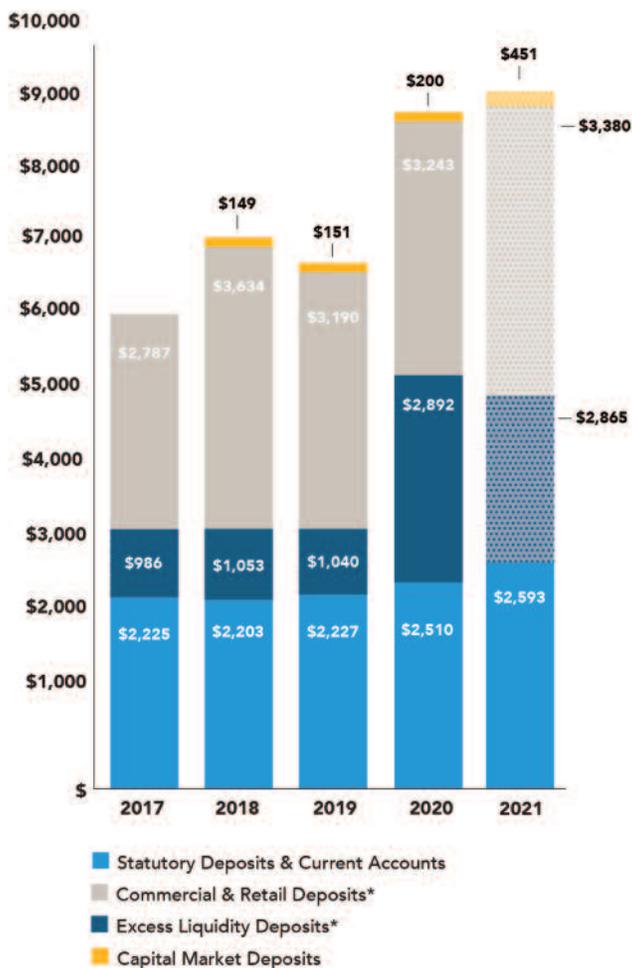
Deposits are comprised of credit union deposits, retail (personal) deposits, commercial deposits and capital market deposits. The credit union deposits are made up of statutory liquidity deposits and current accounts (credit union cash balances) offered by SaskCentral.

The retail (personal) deposits consist of guaranteed investment certificates and registered plan deposits which are primarily sourced from the nominee market by third party brokerage firms. Commercial deposits relate to clients of Concentra Bank retained from its legacy direct banking operations, credit union cash balances and excess liquidity consumer deposits. Capital market deposits relate to the issuance of floating rate deposit notes in the debt capital markets to a broad group of investors.

SaskCentral's deposits, excluding excess liquidity, commercial and capital market deposits increased by 3.3% over prior year (2020 – 12.7% increase). Statutory liquidity deposits increased 2.8% (2020 – 9.3% increase) and credit union cash balances increased by 11.0% (2020 – 106.1% increase). Credit unions continue to experience high levels of liquidity due to the pandemic relative to historical average.

CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Deposits (in millions)



*In 2021, the excess liquidity deposits, commercial & retail deposits and capital market deposits are classified as liabilities associated with assets held for sale (see note 30 of the consolidated financial statements).

Return on Equity

Equity attributable to SaskCentral decreased by \$0.5 million over 2020. Modest earnings offset by dividends paid to credit unions resulted in a net increase to retained earnings of \$3.7 million. Credit unions subscribed to \$6.6 million (2020 - \$3.3 million) in membership share capital during the year. For 2021, SaskCentral's ROE decreased to 3.3% (2020 - 5.2%).

Consolidated Return on Equity



* One-time item relates to gain on acquisition of control of Concentra Bank and the income tax recovery in 2017.

2022 OUTLOOK

Please refer to the Separate MD&A for discussion on SaskCentral's 2022 outlook.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements have been prepared in accordance with IFRS. The significant accounting policies used in the preparation of the consolidated 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. Critical accounting estimates and judgments are described in note 3 of the consolidated financial statements.

CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS

Future Changes in Accounting Policies

As disclosed in note 2.27 of the consolidated financial statements, currently there are no standards, amendments or interpretations that are expected to have an impact on SaskCentral's future consolidated financial statements.

Subsequent Event

As disclosed in note 31 of the consolidated financial statements, on February 7, 2022, SaskCentral, Concentra Bank and Equitable Bank, the wholly owned subsidiary of Equitable Group Inc., announced that Equitable Bank entered into definitive agreements by which Equitable Bank will acquire SaskCentral's 84.02% common share equity interest in Concentra Bank as well as support agreements with additional Concentra Bank shareholders representing a majority of the remaining 15.98% common share ownership.

Together, these agreements will enable Equitable Bank to acquire 100% of Concentra Bank for a combined premium of \$35,700 to book value of common equity, of which SaskCentral's portion is \$30,000. Based on Concentra's book value at December 31, 2021, this would result in a total purchase price of \$395,000 for SaskCentral's share in Concentra Bank, subject to customary adjustments at the time of closing. The transaction is subject to approval by regulatory authorities and is expected to take place in the second half of 2022. Management is still assessing the full financial impact of this transaction on the consolidated financial statements.

Impact of COVID-19

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The breadth and depth of the impact of the pandemic on the global economy and financial markets has continued to evolve with increased market volatility and changes to the macroeconomic environment. As the COVID-19 pandemic continues to evolve, including through the emergence and progression of new variants of COVID-19 in different regions, governments continue to adjust their response and approach to the pandemic. Despite positive vaccine developments, uncertainty remains regarding vaccine efficacy against new variants of COVID-19 as well as overall long-term effectiveness, the potential impact of vaccine hesitancy, the timing of vaccine rollouts to certain age-groups, and global vaccine supply and availability, including uneven vaccine access. All of these factors contribute to the uncertainty regarding the timing of a full recovery.

COVID-19 has created many uncertainties with respect to counterparty credit risk, liquidity and the valuation of securities and deposits. Management has incorporated the anticipated impact of COVID-19 in estimates and judgments of these consolidated financial statements to the extent known at this time. Outcomes that are different from assumptions used in estimates could require a material adjustment within the next financial year.

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 reviews 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.

Credit Union Deposit Guarantee Corporation of Saskatchewan reviews the activities of SaskCentral to ensure compliance with the *Cooperative Credit Associations Act* and the *Credit Union Central of Saskatchewan Act, 2016*, 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.



Shawn L. Good,
Chief Executive Officer



Stephen Fitzpatrick,
Chief Financial Officer / Chief Risk Officer
March 2, 2022

AUDIT AND RISK COMMITTEE REPORT TO THE MEMBERS

To the Members of Credit Union Central of Saskatchewan

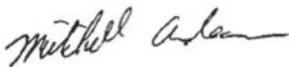
The purpose of the Audit and Risk Committee is to ensure an independent review of SaskCentral's financial operation in areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to sound financial practices.

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 the audit summary report. The Audit and Risk Committee meets with the Chief Audit Officer to review and approve audit plans and 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.

Management provides the Audit and Risk Committee with certifications on its compliance with the Credit Union Deposit Guarantee Corporation (CUDGC). Also, management letter recommendations received from CUDGC are reviewed by the Audit and Risk Committee.



Mitchell Anderson

Chair, Audit and Risk Committee

March 2, 2022

**INDEPENDENT
AUDITOR'S REPORT**

Deloitte LLP
2103 - 11th Avenue
9th Floor
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

Opinion

We have audited the consolidated financial statements of Credit Union Central of Saskatchewan (the "Company"), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income or loss, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

Deloitte LLP

Chartered Professional Accountants
March 2, 2022
Regina, Saskatchewan

CREDIT UNION CENTRAL OF SASKATCHEWAN

CONSOLIDATED BALANCE SHEET

[in thousands of Canadian dollars]

As at December 31

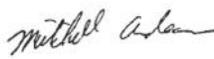
	2021	2020
	\$	\$
Assets		
Cash and cash equivalents [note 7]	102,640	1,032,094
Securities [note 8]	2,663,610	3,724,597
Derivative assets [note 9]	8,655	22,732
Loans [note 10]	15,258	8,843,532
Other securitization assets [note 12]	-	93,162
Trade and other receivables	3,427	11,747
Other assets	443	3,835
Investments in associates [note 13]	37,291	34,025
Property, plant and equipment [note 14]	7,347	28,018
Investment property [note 15]	6,604	6,009
Intangible assets [note 16]	20,720	6,431
Current income tax assets	-	6,333
Deferred income tax assets [note 17]	12,108	24,299
Goodwill [note 30]	-	41,979
Assets held for sale [note 30]	10,926,499	-
	13,804,602	13,878,793
Liabilities		
Deposits [note 18]	2,593,269	8,845,155
Derivative liabilities [note 9]	8,655	25,005
Loans and notes payable [note 19]	29,998	254,758
Securitization liabilities [note 12]	-	3,917,579
Trade and other payables	11,941	18,013
Other liabilities [note 20]	307	20,857
Current income tax liabilities	-	56
Deferred income tax liabilities [note 17]	-	16,094
Liabilities directly associated with assets held for sale [note 30]	10,377,030	-
	13,021,200	13,097,517
Equity		
Share capital [note 21]	175,262	168,690
Retained earnings	422,379	418,722
Accumulated other comprehensive income [note 28]	1,082	11,821
Total equity attributable to equity holders of SaskCentral	598,723	599,233
Non-controlling interest [note 29]	184,679	182,043
	783,402	781,276
	13,804,602	13,878,793

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

	2021 \$	2020 \$
Continuing operations		
Interest income		
Securities	30,310	40,431
Loans	547	382
	30,857	40,813
Interest expense		
Deposits	25,138	34,263
Loans and notes	96	487
	25,234	34,750
Net interest income [note 23]	5,623	6,063
Provision for credit losses [note 11]	12	8
Net interest income after provision for credit losses	5,611	6,055
Non-interest income		
Assessment revenue [note 24]	5,123	4,894
Fee for service [note 24]	20,112	8,876
(Loss) gain on financial instruments [note 26]	(2,960)	6,540
Share of profits (losses) in associates	2,501	(2,541)
	24,776	17,769
Net interest and non-interest income	30,387	23,824
Non-interest expense		
Salary and employee benefits [note 25]	13,503	9,099
Professional and advisory services	5,964	5,369
Computer and office equipment	14,905	1,040
Occupancy	5,582	2,064
General business	2,864	946
	42,818	18,518
(Loss) profit for the year before income taxes	(12,431)	5,306
Income tax recovery [note 17]	(3,873)	(1,410)
(Loss) profit for the year from continuing operations	(8,558)	6,716
Discontinued operations		
Profit for the year from discontinued operations [note 30]	27,931	23,520
Profit for the year	19,373	30,236
Attributable to:		
Owners of SaskCentral	9,067	22,338
Non-controlling interest [note 30]	10,306	7,898
	19,373	30,236

See accompanying notes

CREDIT UNION CENTRAL OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
Profit for the year	19,373	30,236
Other comprehensive income (loss) from continuing operations		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Financial assets at FVTOCI		
Net unrealized (losses) gains on FVTOCI securities and loans during the year	(1,763)	2,960
Reclassification of gains on FVTOCI securities and loans disposed of in the year	(11)	(15)
Reclassification of impairment losses (gains) on FVTOCI securities and loans [note 11]	6	(2)
Share of other comprehensive (loss) income of associates	(157)	93
Income tax relating to items that will be reclassified subsequently [note 17]	579	(792)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value due to change in own credit risk on financial liabilities [note 26]	4,190	(3,193)
Income tax related to items that will not be reclassified subsequently [note 17]	(1,131)	862
Other comprehensive income (loss) for the year from continuing operations, net of tax	1,713	(87)
Discontinued operations		
Other comprehensive (loss) income from discontinued operations [note 30]	(15,232)	10,319
Total comprehensive income for the year	5,854	40,468
Attributable to:		
Owners of SaskCentral	(2,019)	30,921
Non-controlling interest [note 29]	7,873	9,547
	5,854	40,468

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
			Fair value reserves	Own credit risk reserve			
Balance as at December 31, 2019	165,424	410,688	4,710	(1,234)	579,588	178,459	758,047
Profit for the year	-	22,338	-	-	22,338	7,898	30,236
Other comprehensive (loss) income for the year, net of tax	-	-	10,914	(2,331)	8,583	1,649	10,232
Increase in share capital	3,266	-	-	-	3,266	-	3,266
Dividends [notes 22 and 29]	-	(14,542)	-	-	(14,542)	(5,963)	(20,505)
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	-	238	-	(238)	-	-	-
Balance as at December 31, 2020	168,690	418,722	15,624	(3,803)	599,233	182,043	781,276
Profit for the year	-	9,067	-	-	9,067	10,306	19,373
Other comprehensive (loss) income for the year, net of tax	-	-	(14,145)	3,059	(11,086)	(2,433)	(13,519)
Increase in share capital	6,572	-	-	-	6,572	-	6,572
Dividends [notes 22 and 29]	-	(5,063)	-	-	(5,063)	(5,237)	(10,300)
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	-	(347)	-	347	-	-	-
Balance as at December 31, 2021	175,262	422,379	1,479	(397)	598,723	184,679	783,402

See accompanying notes

CREDIT UNION CENTRAL OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
Cash flows (used in) from operating activities		
Profit for the year	19,373	30,236
Adjustments to determine net cash (used in) from operating activities:		
Profit for the year from discontinued operations	(27,931)	(23,520)
Depreciation of property, plant and equipment and investment property	730	659
Other amortization/accretion	19,266	6,235
Loss (gain) on financial instruments [note 26]	2,960	(6,540)
Loss on disposal of property, plant, and equipment	6	-
Net interest income [note 23]	(5,623)	(6,063)
Provision for credit losses [note 11]	12	8
Share of (profits) losses in associates	(2,501)	2,541
Income tax expense [note 17]	(3,873)	(1,410)
Changes in operating assets and liabilities:		
Loans, net of repayments and sales	645	12,384
Trade and other (payables) receivables	(781)	(3,036)
Other assets	44	(71)
Deposits, net of withdrawals	128,050	270,532
Loans and notes payable, net of repayments	(23,013)	(70,614)
Other liabilities	210	(12)
Interest received	30,264	40,225
Dividends received	285	331
Interest paid	(26,404)	(36,064)
Cash flows from continuing operating activities	111,719	215,821
Cash flows (used in) from discontinued operations	(173,778)	876,446
Cash flows (used in) from operating activities	(62,059)	1,092,267
Cash flows used in financing activities		
Proceeds from issuance of share capital	6,572	3,266
Dividends paid to members [note 22]	(5,628)	(14,542)
Cash flows from (used in) continuing financing activities	944	(11,276)
Cash flows used in financing activities - discontinued operations	(5,725)	(6,312)
Cash flows used in financing activities	(4,781)	(17,588)

Continued on following page

See accompanying notes

CREDIT UNION CENTRAL OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
Cash flows used in investing activities		
Purchase of securities	(1,953,949)	(4,105,355)
Proceeds from sales of securities	1,675,254	3,921,610
Distributions from investments in associates	6,880	6,072
Additions to property, plant and equipment, net of disposals	(173)	(106)
Additions to intangible assets, net of disposals	(6,413)	(480)
Cash flows used in continuing investing activities	(278,401)	(178,259)
Cash flows used in investing activities - discontinued operations	(402,404)	(453,728)
Cash flows used in investing activities	(680,805)	(631,987)
Net (decrease) increase in cash and cash equivalents	(747,645)	442,692
Cash and cash equivalents, beginning of year	1,032,094	589,402
Cash reclassified to assets held for sale of assets held for sale [note 30]	(181,809)	-
Cash and cash equivalents, end of year	102,640	1,032,094

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

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, 2016* (the Act). Under the Act, Credit Union Deposit Guarantee Corporation of Saskatchewan (CUDGC) has regulatory responsibilities for SaskCentral.

SaskCentral functions as a liquidity manager and key service supplier on behalf of and for Saskatchewan credit unions. SaskCentral also maintains business relationships with, and investments in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank (operating under the trade name Wyth Financial), Prairie Payments Joint Venture (PPJV), Celero Solutions and CU CUMIS Wealth Holdings LP (CUC Wealth) as described in notes 13 and 29.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 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 *Cooperative Credit Associations Act (Canada)* (the CCAA).

These consolidated financial statements were authorized for issue by the Board on March 2, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except financial assets and liabilities held at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI), which have been measured at fair value, including all derivative contracts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

(b) Basis of measurement (continued)

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.

Valuation techniques used to measure fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the principal market or most advantageous market for that asset or liability to which SaskCentral has immediate access (Level 1).

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, SaskCentral looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities, as applicable (Level 2). In certain circumstances, SaskCentral uses one or more input parameters that are not based on observable market data or uses observable inputs that require significant adjustment based on unobservable inputs (Level 3). The impact on net income of valuations reflecting non-market observable inputs (Level 3 valuations) is disclosed in note 5. SaskCentral believes that using possible alternative assumptions will not result in significantly different fair values. The credit quality of financial assets and financial liabilities, including derivative instruments, is considered in determining the fair value of these instruments. In determining the credit quality of the instrument both SaskCentral's own credit risk and the risk of the counterparty are considered elements of this credit quality.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions SaskCentral holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

(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.

(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 consolidated financial statements therefore present the financial position and results fairly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

(d) Use of estimates and judgments (continued)

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 3.

(e) COVID-19 pandemic considerations

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The breadth and depth of the impact of the pandemic on the global economy and financial markets has continued to evolve with increased market volatility and changes to the macroeconomic environment. As the COVID-19 pandemic continues to evolve, including through the emergence and progression of new variants of COVID-19 in different regions, governments continue to adjust their response and approach to the pandemic. Despite positive vaccine developments, uncertainty remains regarding vaccine efficacy against new variants of COVID-19 as well as overall long-term effectiveness, the potential impact of vaccine hesitancy, the timing of vaccine rollouts to certain age-groups, and global vaccine supply and availability, including uneven vaccine access. All of these factors contribute to the uncertainty regarding the timing of a full recovery.

COVID-19 has created many uncertainties with respect to counterparty credit risk, liquidity and the valuation of securities, deposits and goodwill. Management has incorporated the anticipated impact of COVID-19 in estimates and judgments of these consolidated financial statements to the extent known at this time. Outcomes that are different from assumptions used in estimates could require a material adjustment within the next financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of SaskCentral, and entities controlled by SaskCentral. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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 statements of profit or loss and comprehensive income (loss) 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.

The following entities are included in these consolidated financial statements:

Concentra Bank - SaskCentral owns 84.02% (2020 - 84.02%) of the common shares of Concentra Bank and controls Concentra Bank; as such, these consolidated statements include the assets and liabilities and results of the operations of this subsidiary. As described in note 30, on December 31, 2021 SaskCentral's investment in Concentra Bank was classified as assets held for sale and was accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). The disposition of Concentra Bank is expected to result in a loss of control. As a result, Concentra Bank's 2021 financial information included in these consolidated financial statements is presented in note 30 and not included in the remaining note disclosure, unless specifically required by IFRS.

Concentra Trust - Concentra Bank owns 100% (2020 - 100%) of the common shares of Concentra Trust; as such, note 30 of these consolidated financial statements include the assets and liabilities and results of the operations of this wholly owned subsidiary.

CUVentures LP - On December 15, 2020, CUVentures LP and CUVentures Inc. were dissolved and wound down. Prior to December 15, 2020, SaskCentral owned 100% of CUVentures LP as a result of SaskCentral's 100% ownership of CUVentures Inc., the General Partner; as such, these consolidated financial statements include the 2020 results of the operations of this wholly owned subsidiary.

(a) Acquisition of control

The acquisition of control of Concentra Bank, effective January 1, 2017 constitutes a business combination, in which no consideration was transferred. There were no acquisition related costs. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. SaskCentral recognizes any non-controlling interest in the acquiree at the date of acquisition at fair value.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to note 2.25 for the accounting policy on goodwill.

2.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Investments in associates (continued)

The results of the operations 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 other comprehensive income (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 the consolidated statement of profit or loss in the period in which the investment is acquired.

The requirements of IAS 36, *Impairment of Assets* (IAS 36) 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 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.

The following investments in associates are included in these consolidated statements:

Celero Solutions - SaskCentral has a 33.33% (2020 - 33.33%) interest in Celero Solutions and has concluded that Celero Solutions is considered an investment in associate. Celero Solutions is accounted for in these consolidated financial statements using the equity method.

CU CUMIS Wealth Holdings LP (CUC Wealth) - SaskCentral has a 10.92% (2020 - 10.92%) interest in CUC Wealth. CUC Wealth serves as a holding company for the five provincial credit union centrals and other co-operatives' ownership in Aviso Wealth Inc. (Aviso). Aviso was formed on April 1, 2018 as a result of a merger between Northwest and Ethical Investments (NEI), Credential Financial Inc. and Qtrade Canada Inc. (Qtrade). Aviso is a national, integrated financial services company serving the wealth management needs of Canadian credit unions and independent financial organization. CUC Wealth is accounted for in these consolidated financial statements using the equity method.

Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV) - On June 30, 2020, SEF JV was dissolved. On December 15, 2020, CU Ventures LP was dissolved and wound down. Prior to December 15, 2020, CU Ventures LP had 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which had a 45.45% interest in SEF JV. SaskCentral concluded that SEF JV is an investment in an associate and was accounted for in these consolidated financial statements using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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.

When SaskCentral undertakes its activities under joint operations, it 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; and
- its expenses, including its share of any expenses incurred jointly.

The following interest in joint operation is included in these consolidated statements:

PPJV - SaskCentral has 33.33% (2020 - 33.33%) interest in PPJV. On January 1, 2020, SaskCentral entered into a joint venture agreement, referred to as PPJV, with Alberta Central and Credit Union Central of Manitoba to administer the outsourcing of payments processing capabilities with IBM Canada Ltd., previously performed by CUPS Payment Services (CUPS). The PPJV provides payment services and related support services to the members of its owners as well to other organizations. SaskCentral accounts for its share of PPJV's assets, liabilities, revenue and expenses in these consolidated financial statements, which are recorded following SaskCentral's accounting policies for these assets, liabilities, revenues, and expenses.

2.5 Assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When SaskCentral is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether SaskCentral will retain a non-controlling interest in its former subsidiary after the sale.

When SaskCentral is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. SaskCentral then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.6 Sale 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 FVTOCI and recorded at fair value. Obligations related to assets sold under repurchase agreements are recorded in loans and notes payable (note 19). Interest incurred on repurchase agreements is included in loans and notes interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 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 the consolidated statement of profit or loss.

SaskCentral uses trade date accounting for regular way contracts when recording financial instrument transactions.

(a) Financial assets

Debt instruments are classified as amortized cost, FVTOCI or FVTPL on the basis of SaskCentral's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

SaskCentral makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, from the sale of financial assets, or both. For the assessment of business models, SaskCentral takes into consideration the factors such as performance of assets in the portfolio, risks that affect the performance of assets, management compensation for those managing the assets and the frequency, reason for sales, and volume of sales in prior periods and expectations about future sales activity.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Principal' is defined as the fair value of the financial asset on initial recognition. Principal may change over the life of the instrument due to repayments. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In performing this assessment, SaskCentral takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If SaskCentral identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization of premiums, discounts and other transaction costs is included in interest income in the consolidated statement of profit or loss.

Debt instruments measured at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVTOCI are recorded in OCI, unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship any changes in fair value due to changes in the hedged risk are recognized in the consolidated statement of profit or loss. If the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to interest income in the consolidated statement of profit or loss using the effective interest rate method. Upon derecognition, realized gains and losses are reclassified from OCI to the consolidated statement of profit or loss.

Debt instruments designated at FVTPL

SaskCentral may, at initial recognition, irrevocably designate a financial asset as at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial assets is managed with its performance being evaluated on a fair value basis; or
- The financial asset contains one or more embedded derivatives which significantly modifies the cash flows otherwise required by the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(a) Financial assets (continued)

Debt instruments designated at FVTPL (continued)

These instruments are measured at fair value in the consolidated balance sheet, with transaction costs recognized immediately in the consolidated statement of profit or loss as part of gain on financial instruments. For financial assets designated at FVTPL, changes in fair value are recognized in the consolidated statement of profit or loss.

Equity instruments measured at FVTPL/FVTOCI

Equity instruments are measured at FVTPL unless an election is made to designate them at FVTOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized in the consolidated statement of profit or loss.

SaskCentral can elect to classify non-trading equity instruments at FVTOCI. This election will be used for certain equity investments for strategic or longer-term investment purposes. The FVTOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Both realized and unrealized gains and losses on these instruments are recorded in OCI and are not subsequently reclassified to the consolidated statement of profit or loss. Dividends received are recorded in interest income in the consolidated statement of profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the consolidated statement of profit or loss on sale of the security.

(b) Financial liabilities

SaskCentral classifies its financial liabilities as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

SaskCentral may, at initial recognition, irrevocably designate a financial liability as at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities is managed with its performance being evaluated on a fair value basis; or
- The financial liability contains one or more embedded derivatives which significantly modifies the cash flows otherwise be required by the contract.

For liabilities at FVTPL, all changes in fair value are recognized in the consolidated statement of profit or loss, except for changes in fair value arising from changes in SaskCentral's own credit risk which are recognized in OCI. Other financial liabilities are measured at amortized cost using the effective interest method. Changes in fair value of liabilities due to changes in SaskCentral's own credit risk, recognized in OCI, are not subsequently reclassified to the consolidated statement of profit or loss upon derecognition/extinguishment of the liabilities. Instead, these changes are reclassified from accumulated other comprehensive income (AOCI) to retained earnings upon derecognition/extinguishment of the liabilities. With the exception of its deposits and derivative financial instruments which are FVTPL, SaskCentral's holdings in financial liabilities are classified as measured at amortized cost.

(c) Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after SaskCentral changes its business model for managing financial assets. There were no changes to any of the SaskCentral's business models for the year ended December 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets

SaskCentral establishes an allowance for credit losses for the following categories of financial assets that are not measured at FVTPL:

- Financial assets at amortized cost;
- Financial assets at FVTOCI;
- Undrawn lending commitments;
- Commercial leases; and
- Financial guarantee contracts.

No impairment is recognized on equity investments in the scope of IFRS 9 - *Financial Instruments* (IFRS 9). The impairment of financial assets is presented in the consolidated balance sheet as a deduction in the gross carrying amount of securities and loans.

Expected credit loss impairment model

SaskCentral uses an expected credit loss (ECL) methodology to measure impairment of its financial instruments. Expected credit losses reflect the present value of all cash shortfalls related to default events which may occur over a specified period of time. Consequently, SaskCentral's allowance for credit losses is an output of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The impairment amount reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The impairment model measures the ECL using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 - where there has not been a significant increase in credit risk since initial recognition of a financial asset, an amount equal to 12-month ECL is recorded. For those instruments with a remaining maturity of less than twelve months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 - when a financial asset experiences a significant increase in credit risk subsequent to the origination but is not considered to be in default, an amount equal to lifetime ECL is recorded.
- Stage 3 - when a financial asset is considered to be in default, an amount equal to lifetime ECL continues to be recorded or the financial asset is written off.

Financial assets may migrate forward or backward through the three stages as their credit risk deteriorates or improves. When measuring ECL, SaskCentral considers the maximum contractual period over which it is exposed to credit risk (expected life). All contractual terms are considered when determining the expected life, including prepayment and extension or rollover options.

Measurement of ECL

The measurement of ECL is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). The PD is an estimate of the likelihood that a financial asset will not be repaid and will go into default. LGD is an estimate of the amount that may not be recovered in the event of default. The assessment of the PD and LGD is based on historical data and current market conditions adjusted by reasonable and supportable information about future economic conditions. EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Measurement of ECL (continued)

The ECL parameters are generally derived from internally developed statistical models utilizing SaskCentral's own historical loss data by major asset class with the exception of PD and LGD for commercial mortgages/loans and securities. Due to the limited number of historical losses within these portfolios, SaskCentral has mapped its internal risk ratings to external ratings and utilized both public and proprietary third-party data to determine the appropriate parameters by rating.

Significant increase in credit risk

At each reporting date, SaskCentral assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information with the impact of forward-looking macroeconomic factors.

SaskCentral's assessment of significant increase in credit risk is performed quarterly based on the following three factors. If any of these factors indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the credit rating has dropped below investment grade, based on DBRS Morningstar ratings.
- SaskCentral considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.
- Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.

The common assessments for significant increase in credit risk on retail and non-retail portfolios include macroeconomic outlook, management judgment, and delinquency and monitoring. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers, changes in portfolio composition, and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days overdue. SaskCentral currently does not rebut this presumption.

For retail and small commercial exposures, SaskCentral considers past delinquency history for individual loans as the primary indicator of significant increase in credit risk. Additionally, SaskCentral assesses a significant increase in credit risk at the portfolio level using historical correlations between macroeconomic factors and past default rates within the portfolio.

For its other commercial exposures, SaskCentral uses its internal risk rating scale unless an external credit rating is available. All exposures have a risk rating assigned that reflects the PD of the borrower which are reviewed and updated at least annually. Significant increase in credit risk is evaluated based on the risk rating migration of the exposures with consideration of forward-looking macroeconomic factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purpose of this assessment, credit risk is based on an instrument's PD, not the losses SaskCentral expects to incur. The assessment is generally performed at the instrument level.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their obligations both in near term and in the longer term, including periods of adverse changes in the economic or business environment. SaskCentral considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Definition of default

SaskCentral considers a financial asset to be in default when:

- The external rating agencies have assigned a default rating to the investment;
- The debt issuer or obligor has not met a legally scheduled payment or has indicated that it will miss such a payment in near future;
- The borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing;
- Significant financial difficulty of the borrower;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization; or
- There is a measurable decrease in the estimated future cash flows from the loan or the underlying collateral.

In addition to the above observable indicators, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. SaskCentral does not currently rebut this presumption except for certain insured loans where, due to the strength of the underlying credit enhancement, it is reasonably certain that collection efforts will result in a full recovery of the defaulted loan. Loans where short-term payment deferral agreements have been signed by the borrower and SaskCentral in response to the COVID-19 pandemic do not trigger a rebuttable presumption of default.

Forward looking information

The measurement of ECL and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Macroeconomic factors

In its ECL models, SaskCentral relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, unemployment rates, Bank of Canada interest rates, oil price per barrel, the Canadian equity index, and new housing starts. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data. Where available, SaskCentral will utilize geographic specific macroeconomic factors. Due to the limited loss history, SaskCentral has relied upon industry norms and best practices to identify key drivers of credit risk and credit losses for each portfolio of financial instruments and has estimated relationship between macro-economic variables, credit risk and credit losses.

Multiple forward-looking scenarios

SaskCentral determines ECL using multiple probability-weighted forward-looking scenarios. Based on economic forecasts of large Canadian banks, SaskCentral formulates a 'base case' scenario of the future direction of relevant economic variables as well as representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relevant probabilities of each outcome. External information includes economic data and forecasts published by the Bank of Canada, provincial government bodies and large Canadian financial institutions.

SaskCentral also relies upon forecasts for the ECL model for certain loans generated by an external vendor that specializes in economic forecasting in both the Canadian and global markets. The external vendor provides multiple forecasted scenarios which are then assessed, and probability weighted by SaskCentral using judgment. As indicated in note 2.1(e), COVID-19 is expected to have significant impact on counterparty credit risk. These factors have been incorporated into SaskCentral's assessment of expected credit losses.

SaskCentral will typically probability weight the 'base case' scenario most heavily as it represents the most likely outcome and is aligned with information used by SaskCentral for other purposes such as planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

The following table represents the values of the macroeconomic variables over the next four calendar quarters and the remaining 4-year forecast period used in determining SaskCentral's ECLs. As the forecast period increases, information about the future becomes less readily available and projections are anchored on assumptions around structural relationships between economic parameters that are inherently much less certain.

Macroeconomic variables	12-month forecast				Remaining 4-year forecast			
	Base case	Alternative Scenario 1	Alternative Scenario 2	Alternative Scenario 3	Base case	Alternative Scenario 1	Alternative Scenario 2	Alternative Scenario 3
Bank of Canada interest rates (%)	0.74	0.89	0.59	N/A	N/A	N/A	N/A	N/A
Canadian equity index	19,724	21,433	17,785	15,400	20,587	22,550	19,256	17,259
Canadian unemployment (%)	5.8	5.0	6.7	8.0	6.1	5.2	6.6	8.0
GDP growth (% change)	4.3	5.2	4.6	N/A	N/A	N/A	N/A	N/A
House price index (% change)	0.06	1.22	(0.27)	(2.21)	0.10	2.08	(1.46)	(0.52)
Oil price (\$USD)	67.34	69.02	54.61	42.25	62.69	67.91	59.15	51.21

Presentation of allowance for ECL in the statement of financial position

For financial assets measured at amortized cost and commercial leases, loss allowances for ECL are presented in the consolidated balance sheet as a deduction from the gross carrying amount of the assets.

The allowance for credit losses for financial assets measured at FVTOCI does not reduce the carrying amount of the asset in the consolidated balance sheet, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding recognition to the provision for credit losses in the consolidated statement profit or loss. Upon derecognition of a FVTOCI debt instrument the accumulated unrealized fair value gains and losses, together with the impairment reserve, are recycled from AOCI to the consolidated statement of profit or loss.

For undrawn lending commitments, the allowance is recorded as a provision in other liabilities.

Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the financial asset should be derecognized. Where the modification does not result in derecognition, the date of origination continues to be used to determine significant increase in credit risk. Where modification results in derecognition, the original asset is derecognized, and the new asset is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized as a gain or loss in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Write-off

SaskCentral writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where the financial assets are secured, write-off is generally after receipt of any proceeds from the realization of the security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may occur earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the net provision for credit losses in the consolidated statement of profit or loss.

(e) Property held for resale

Property held for resale acquired through the settlement of loans is valued at the lower of the outstanding balance of the loan at the date of acquisition adjusted for costs incurred subsequent to foreclosure or repossession and the fair value of the property less costs of disposal. Property held for resale is sold as soon as practicable, with the proceeds used to reduce the outstanding net carrying value. Property held for resale is recorded in the consolidated balance sheet within residential mortgages.

(f) 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. Where substantially all of the risks and rewards of ownership of the financial asset are neither retained nor transferred, SaskCentral derecognizes the transferred asset only if it has lost control over that asset. Control over the assets is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If SaskCentral retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When financial assets are derecognized in full, a gain or loss is recognized in the consolidated statement of 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 the consolidated statement of profit or loss.

2.8 Asset securitizations

Securitized assets are classified as either securities or loans on the consolidated balance sheet. Securities are carried at fair value. Loans are carried at amortized cost using the effective interest method. Securitized borrowings are classified as securitization liabilities on the consolidated balance sheet and are carried at amortized cost. Securitized assets are periodically reviewed for impairment with any impairment being charged to the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial guarantees

Certain loan assets are secured by limited financial guarantees issued by third parties unrelated to the underlying borrower. When the financial guarantee forms an integral part of the loan asset, the contract is not recognized separately and instead the value of the guarantee is considered when determining the allowance for credit losses for the related loan. When the financial guarantee does not form an integral part of the loan asset, it is recognized separately as a reimbursement asset equal to the lesser of: (1) the difference between the impaired carrying value of the loan and what the carrying value would be if impairment had not occurred; and (2) the maximum amount of the financial guarantee. Recoveries from financial guarantees are recorded within provision for credit losses in the consolidated statement of profit and loss to offset the associated impairment loss. Reimbursement assets are included in other assets as an accounts receivable.

SaskCentral has not issued any financial guarantee contracts with the exception of limited guarantees related to assets that did not qualify for derecognition as described in note 12.

2.10 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet only when there is currently 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.

2.11 Derivative financial instruments and hedge accounting

SaskCentral enters into derivative transactions to hedge interest rate and foreign currency risks, and for economic and asset/liability management purposes. SaskCentral also enters into derivative transactions on an intermediary basis on behalf of its clients. SaskCentral does not have a trading program for derivatives.

Derivative financial instruments are classified as FVTPL and measured at fair value in the consolidated balance sheet. Changes in fair value are included in the consolidated statement of profit or loss within gain on financial instruments unless they are designated in a qualifying hedge accounting relationship.

Hedge accounting

Hedge accounting may be applied where a derivative is highly effective in offsetting either changes in the fair value or cash flows attributable to the risk being hedged, both at inception and over the life of the underlying asset or liability. The hedging relationship is required to be documented at inception detailing the particular risk management objective and strategy for undertaking the hedge transaction. SaskCentral assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging instruments have been highly effective in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of income taxes, is recorded in OCI while the ineffective portion is recorded within gain on financial instruments in the consolidated statement of profit or loss. All components of each derivative's change in fair value have been included in the assessment of cash flow hedge effectiveness. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the amounts previously recorded in OCI are reclassified to net interest income during the periods when the variability in the cash flows of the hedged item affects net interest income. When a forecast transaction is no longer expected to occur, the amounts previously recorded in OCI are immediately reclassified to the consolidated statement of profit or loss and are recorded in gain on financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

In a fair value hedging relationship, changes in the fair value of the hedging derivative are offset in the consolidated statement of profit or loss by the change in the fair value attributable to the hedged risk component of the hedged item. If the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively.

2.12 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. 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Total interest income and total interest expense for specific categories of financial assets and financial liabilities is presented in note 23.

2.13 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SaskCentral recognizes revenue when it transfers control of a product or service to a customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

Incremental costs of obtaining a contract are recognized in net income on a basis consistent with the transfer of control of the related product or service. SaskCentral utilizes a practical expedient and expenses these costs as they are incurred when the expected recognition period is one year or less.

SaskCentral earns revenue outside of interest income on financial assets. Revenues arising from these streams are recognized based on contracts with customers. The consideration received does not include any significant financing components that are not included in the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Revenue recognition (continued)

The following is a description of the principal activities for SaskCentral from which revenue is generated including the nature of its performance obligations, the timing of when they are satisfied and the significant payment terms:

(a) SaskCentral revenue recognition

Liquidity management assessment

SaskCentral collects liquidity management assessment fees from member credit unions to provide services such as clearing and settlement, daily cash flow management and emergency liquidity management. The liquidity management assessment fees are reviewed and approved by SaskCentral's Board annually. The fees are assessed based on member credit unions' assets. The services are rendered over time and performance obligations are satisfied in the same manner; therefore, revenues are recognized over time. Payment for the liquidity management assessment fee is due on a monthly basis.

Consulting revenues

SaskCentral provides consulting services to Canadian credit unions in the areas of internal audit, anti-money laundering, fraud management, deposit and lending compliance, risk management, strategic planning and board governance. SaskCentral employees and external consultants provide these services. Credit unions leverage SaskCentral's expertise for their operational success. These services are provided under standard contracts for which performance obligations are satisfied over time. Accordingly, revenue is accrued over the term when the consulting services are provided and typically invoiced upon the completion of contract. The payment for consulting services is due immediately upon completion of the contract.

Deposit and lending education

SaskCentral helps credit unions develop and maintain their competitive edge in the marketplace by offering annual educational sessions. The sessions are designed to provide staff with the skills to be successful in today's competitive financial services environment. SaskCentral collects revenue on a per-participant basis and participation is at discretion of credit unions. The performance obligations related to training are satisfied upon delivery of the training workshops and revenue is recognized at a point in time. Payment for the educational session is due immediately prior to the session.

Management oversight revenues

SaskCentral provides support and management oversight of contractual arrangements between credit unions and suppliers in regards to retail banking products, card issuance services, digital banking services and procurement services. Credit unions can choose these services based on the size and complexities of the individual credit union.

The revenue is comprised of the fixed monthly fees and a per-member charge is billed monthly, for which payment is due immediately. Management oversight is an ongoing activity and as such, performance obligations are satisfied over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Revenue recognition (continued)

(a) SaskCentral revenue recognition (continued)

Tenant revenue

SaskCentral collects rental revenue from tenants relating to the lease of office space. SaskCentral retains substantially all of the risks and benefits of ownership and therefore accounts for leases with its tenants as operating leases. Rental income is recognized systemically over the term of the lease. Any incentives offered in negotiating and arranging an operating lease is amortized over the term of the operating lease. Tenant revenue is recorded based on the amount received or to be received in accordance with the operating lease.

(b) Concentra Bank revenue recognition

Syndication and servicing fees

Syndication and servicing fees represent fees earned by Concentra Bank for syndicating loans and providing ongoing loan administration and servicing. Syndication fees are paid upon funding of the loan and recognized as revenue when Concentra Bank transfers control of the syndicated interest to the co-owner. Loan servicing fees are paid monthly and are recognized as the services are performed.

Professional fees

Professional fees represent financial management consulting and other support services which Concentra Bank provides to commercial clients. Revenue is recognized as the services are performed. Fees are billed and paid at the same frequency at which the services are provided.

Banking fees

Banking fees consist of fees paid by loan and deposit customers for specific banking services. Certain services are ad-hoc in nature with payment and revenue recognition occurring upon completion of the requested task (e.g. account transfer fees). Other fees are provided on an ongoing basis (e.g. standby fees) and are recognized at the same time the services are delivered. Ongoing fees are typically billed and paid at the same frequency that the services are provided.

Trust fees

Trust fees primarily consist of fees paid to Concentra Bank to act as trustee for a registered plan, custodianship, escrow or other trust arrangement. These arrangements often cover an indefinite term. Concentra Bank typically charges an upfront fee which is recognized as revenue upon establishment of the legal trust structure. Thereafter a recurring fee is charged monthly, quarterly or annually to compensate Concentra Bank for continuing to act as trustee and provide the necessary support services to the trust. Revenue is recognized monthly as the related services are performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Revenue recognition (continued)

(b) Concentra Bank revenue recognition (continued)

Registered plan fees

Registered plan fees primarily consist of fees paid to Concentra Bank to act as trustee for a registered plan program. These trusteeships often cover an indefinite term. Concentra Bank typically charges an upfront fee which is recognized as revenue upon establishment of the legal trust structure for the registered plan. Thereafter a recurring fee is charged monthly, quarterly or annually to compensate Concentra Bank for continuing to act as trustee and provide the necessary support services to the registered plan program. Revenue is recognized monthly as the related services are performed.

Estate fees

Estate fees represent fees earned by Concentra Bank for administering estates either as an executor/administrator or through the provision of specific services to a third-party executor/administrator. When Concentra Bank has been appointed as the executor/administrator, revenue is recognized when the estate is settled, and control of the estate assets have transferred to the beneficiaries. Billing and payment occurs either upfront or over time, dependent on the liquidity of the estate. Contract liabilities are recognized when payment from an executor/administrator is received prior to a related performance obligation being satisfied. When Concentra Bank provides specified services to a third-party executor/administrator, revenue is recognized as the related services are performed.

2.14 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.

2.15 Leases

SaskCentral classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration.

(a) As lessee

With the exception of certain short-term and low-value leases, SaskCentral recognizes a right-of-use asset and lease liability for all leases at commencement.

Lease liabilities are initially measured at the present value of the lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at SaskCentral's incremental borrowing rate.

Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based upon a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain that SaskCentral will exercise the option. Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Leases (continued)

(a) As lessee (continued)

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right-of-use assets are subsequently amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Right-of-use assets are recognized as part of SaskCentral's property, plant and equipment on the consolidated balance sheet, while lease liabilities are included in other liabilities.

(b) As lessor

At inception, SaskCentral classifies a lease which transfers substantially all of the risks and rewards incidental to ownership of the underlying asset as a finance lease. All other leases are classified as operating leases.

When assets are held subject to a finance lease, SaskCentral recognizes a finance lease asset included in loans receivable in the consolidated balance sheet representing its net investment in the lease. Interest income is recognized over the term of the lease using the implicit interest rate, which reflects a constant rate of return.

For operating leases, SaskCentral recognizes lease payments received as income on a straight-line basis over the term of the lease.

2.16 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 components	20 years
Building improvements	5 to 35 years
Furniture and equipment	1 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Property, plant and equipment (continued)

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 the consolidated statement of 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 the consolidated statement of profit or loss.

2.17 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.

2.18 Intangible assets

Intangible assets consist of acquired and internally developed software. 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 ranging from one to ten years.

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 the consolidated statement of profit or loss when the asset is derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Impairment of non-financial assets

Non-financial assets such as property, plant and equipment, investment property and intangible assets 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.

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 the consolidated statement of 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 the consolidated statement of profit or loss immediately. No non-financial assets were impaired in 2021 or 2020.

2.20 Taxation

Income tax expense represents current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity or in OCI.

(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. The principal temporary differences arise from lease receivables, allowances for credit losses, depreciation of property, plant and equipment, accrued expenses, the effective interest method, and carry-forward amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Taxation (continued)

(b) Deferred tax (continued)

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. Management assesses regularly whether the temporary differences related to investments in subsidiaries will reverse in the foreseeable future. If the temporary differences will reverse in the foreseeable future, deferred income tax will be recognized related to the temporary difference that will 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.

A deferred tax liability is recognized when income taxes are payable in future periods as a result of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax related to fair value re-measurement of FVTOCI and cash flow hedges, 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.

2.21 Government grants

Government grants are not recognized until there is reasonable assurance that SaskCentral will comply with the conditions attached to them and that the grants will be received. Government grants are recognized in the consolidated statement of profit or loss on a systematic basis over the periods in which the expenses are recognized. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to SaskCentral with no future related costs are recognized in the consolidated statement of profit or loss in the period in which they become receivable.

2.22 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.

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December 31, 2021
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Employee benefits (continued)

(a) Pension benefits (continued)

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.

(c) Termination benefits

Termination benefits are employee benefits provided when employment is terminated by SaskCentral before the normal retirement date, or whenever an employee accepts an offer of benefits in exchange for the termination of employment. SaskCentral recognizes termination benefits at the earlier of the date when SaskCentral can no longer withdraw the offer of those benefits and the date SaskCentral recognizes costs for a restructuring provision which involves the payment of termination benefits. Benefits falling due more than twelve months after the date of the consolidated balance sheet are discounted to present value.

2.23 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.

2.24 Dividends

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

2.25 Goodwill

Goodwill represents the excess of the purchase price over the fair value of SaskCentral's share of the net identifiable assets acquired in business combinations. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Goodwill (continued)

Goodwill is tested for impairment annually, or whenever a trigger event has been observed, by comparing the present value of the expected future cash flows from a cash-generating unit with the carrying value of its net assets, including applicable goodwill carried at cost less previous accumulated impairment losses.

Any goodwill impairment is charged to income in the period in which the impairment is identified. Impairment losses on goodwill are not reversed.

2.26 Assets under administration

Assets administered or managed by SaskCentral on behalf of estates, trusts, and agencies are recorded separately from SaskCentral's assets and are not included on the consolidated balance sheet.

2.27 New standards and interpretations not yet adopted

SaskCentral actively monitors developments and changes in accounting standards from the International Accounting Standards Board (IASB), as well as requirements from the other regulatory bodies. Currently there are no standards, amendments or interpretations issued by IASB that are expected to have an impact on the SaskCentral's future consolidated financial statements.

3. 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 regards 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.

Business model assessment

Classification and measurement of financial assets under IFRS 9 depends on the results of the solely payments of principal and interest, and the business model test. SaskCentral determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment requires judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Allowance for credit losses

The ECL model requires the recognition of credit losses based on twelve months of expected losses for performing financial assets and recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The main factors considered in making this determination are relative changes in PD since origination, and certain other criteria such as 30-days past due and DBRS Morningstar ratings. The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, SaskCentral must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the expected credit loss allowance.

Impairment of goodwill

Goodwill is tested for impairment annually, or whenever a trigger event has been observed, by comparing the present value of the expected future cash flows from a cash-generating unit with the carrying value of its net assets, including applicable goodwill carried at cost less previous accumulated impairment losses. The impairment test requires management to make assumptions as to factors that determine the present value of the expected future cash flows which are subject to judgment.

Control of Concentra Bank

Concentra Bank is a subsidiary of SaskCentral as a result of SaskCentral's ability to call a special resolution vote on any matter or Board decision related to Concentra Bank and its 84.02% (2020 - 84.02%) voting interest in Concentra Bank. In addition, SaskCentral has the power to appoint and remove four out of the twelve directors of Concentra Bank. Management has concluded that SaskCentral has control due to SaskCentral's ability to call a special resolution on any matter and its power to appoint and remove directors of Concentra Bank. As described in note 30, on December 31, 2021 SaskCentral's investment in Concentra Bank was classified as assets held for sale and accounted for under IFRS 5. The disposal of Concentra Bank is expected to result in a loss of control.

Business combination

SaskCentral used significant judgment in assessing whether the continuance of Concentra Bank was considered a business combination under IFRS 3 - *Business Combinations*. In assessing the transaction, SaskCentral reviewed the bylaw changes of Concentra Bank and considered the legal structure changes resulting from Concentra Bank's continuance. Management concluded that due to the change in the legal structure of Concentra Bank, SaskCentral was considered to have obtained control of Concentra Bank effective January 1, 2017 through a step-acquisition.

Significant influence over Celero Solutions

SaskCentral has significant influence over Celero Solutions by virtue of its 33.33% (2020- 33.33%) interest in Celero Solutions. SaskCentral has the right to appoint two out of six (33.33%) 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 33.33% of the voting power of Celero Solutions, management has concluded that SaskCentral has significant influence over Celero Solutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Control of CUVentures LP

On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP was a subsidiary of SaskCentral as a result of SaskCentral's 100% ownership of CUVentures Inc., the General Partner. In addition, SaskCentral had the power to appoint and remove two out of two directors of CUVentures Inc. SaskCentral also owned 100% of the partnership units of CUVentures LP. Management concluded that SaskCentral had control over CUVentures LP since SaskCentral had 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

On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP had 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which had a 45.45% share in Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). On June 30, 2020, SEF JV was dissolved. Prior to June 30, 2020, SaskCentral had significant influence over SEF JV by virtue of SEF LP's 45.45% interest in SEF JV. SaskCentral had the ability to appoint two out of five members (40%) to the Executive Committee of SEF JV. Management concluded that due to the lack of unanimous consent required to make decisions, SaskCentral did not have joint control of SEF JV. However, since SaskCentral had 40% of the voting power of SEF, through CUVentures LP, management concluded that SaskCentral had significant influence over SEF JV.

Significant influence over CUC Wealth

CUC Wealth serves as a holding company for the five provincial credit union centrals and other co-operatives' ownership in Aviso. Aviso is a national, integrated financial services company serving the wealth management needs of Canadian credit unions and independent financial organizations.

SaskCentral has 10.92% (2020 - 10.92%) ownership in CUC Wealth. SaskCentral has significant influence over CUC Wealth through its representation on the board of directors and participation in policy-making processes. SaskCentral has the right to appoint one out of nine (11.11%) members to the CUC Wealth board of directors and management has concluded that SaskCentral has significant influence over CUC Wealth. SaskCentral's representation on the CUC Wealth board of directors provides the ability to participate in and influence financial, operating and policy-making processes, including participation in decisions around distributions of CUC Wealth.

Classification of Prairie Payments Joint Venture as a joint operation

On January 1, 2020, SaskCentral entered into a joint venture agreement, referred to as the PPJV, with Alberta Central and Credit Union Central of Manitoba to administer the outsourcing of payments processing capabilities with IBM Canada Ltd., previously performed by CUPS. The PPJV provides payment services and related support services to the members of its owners as well to other organizations. The joint venturers, SaskCentral, Alberta Central and Credit Union Central of Manitoba, each have one-third interest in the joint venture. On January 1, 2020, all previous services performed by CUPS were transferred to PPJV.

On January 1, 2020, the assets and liabilities of CUPS and assets and liabilities of Credit Union Central of Manitoba's payment services were contributed to PPJV based on the respective joint venturers' economic and financial interests held under the legacy agreements. SaskCentral, Credit Union Central of Manitoba and Alberta Central signed a transition agreement effective January 1, 2020 under which the joint venturers of PPJV agree to retain their legacy financial interest in the revenues and expenses of the legacy services for the year ending December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Critical judgments in applying accounting policies *(continued)*

Classification of Prairie Payments Joint Venture as a joint operation (continued)

SaskCentral has 33.33% (2020 – 33.33%) interest in PPJV. PPJV is an unincorporated joint operation structured through a separate vehicle with a contractual agreement. 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 the joint venturer based on their proportionate share in the joint operation. The contractual agreement between SaskCentral, Alberta Central, and Credit Union Central of Manitoba states that the gross revenues, expenses, income and losses of the joint operation shall belong to, be owned by and borne exclusively by the three parties in proportion to their ownership share in the joint operation.

Transfer of control of goods or services

Under IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment. In making the judgment, management considered the detailed criteria for recognition of revenue set out in IFRS 15.

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 financial 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.

To the extent practical, models use only observable data; however, areas such as credit risk (both own-credit risk and counterparty credit risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 5 and 15.

Calculation of expected credit losses

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. SaskCentral has developed models incorporating specific macroeconomic variables that are relevant to each specific portfolio. SaskCentral exercises judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

Own credit risk

Determination of fair value changes in own credit risk on financial liabilities designated at FVTPL requires SaskCentral to utilize valuation techniques, such as discounted cash flow model, where observable data is obtained from sources such as Bloomberg. Where valuation techniques such as models are used to determine SaskCentral's own credit risk, they are validated and periodically reviewed.

Valuation of Concentra Bank

As a result of acquisition of control of Concentra Bank, SaskCentral performed a valuation of Concentra Bank effective January 1, 2017. In performing the valuation, SaskCentral used discounted cash flow models and income approaches, or observable data from sources to calculate the value of Concentra Bank.

Income taxes

SaskCentral is subject to income taxes in multiple jurisdictions. Estimates are required in determining income tax expense. There are transactions and calculations for which the ultimate tax determination is uncertain. SaskCentral recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax expense.

The deferred income tax liability recognized at December 31, 2021 is based on future profitability assumptions within the foreseeable future. In the event of changes to these profitability assumptions, the deferred income tax liability recognized may be adjusted. During 2021, SaskCentral determined that it was probable that the temporary differences relating to Concentra Bank will reverse in the foreseeable future. Therefore, the deferred income tax liability was adjusted to record the temporary differences related to Concentra Bank.

Derecognized securitizations

SaskCentral assesses whether substantially all of the risks and rewards related to securitizations have been transferred and/or whether SaskCentral continues to control the transferred assets. Information about the criteria used in determining what securitization transactions qualify for derecognition are disclosed in note 12.

Litigation and other contingencies

SaskCentral determines the probability of a loss arising and reliably estimates the expenditures required to settle any current or pending claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT

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. Concentra Bank manages risk independently of SaskCentral and as such, the entities are discussed separately for the purpose of this note. As described in note 2.2, on December 31, 2021 SaskCentral's investment in Concentra Bank was classified as assets held for sale and was accounted for in accordance with IFRS 5. As a result, the 2021 risk management metrics relating to Concentra Bank are not disclosed in this note.

The following is a description of each risk and how they are managed.

Credit risk

Credit risk arises from a borrower, guarantor or 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

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;
- Establishing prudent limits on loans to provincial credit unions
- Requiring specific collateral on loans to non-provincial credit unions; and
- 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 quarterly 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 and loan portfolios within the risk tolerances in the *Financial Management Policy*.

The following reports, related to the management of credit risk, are provided to SaskCentral's Audit and Risk Committee:

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

The SaskCentral credit risk objectives, policies, and methodologies have not changed materially from December 31, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Concentra Bank

Concentra Bank manages credit risk by:

- Operating in accordance with an approved business lending strategy, investment management strategy and identified target markets;
- Segregating business generation activities from credit risk oversight;
- Maintaining prudent credit granting criteria and entering into lending and investment transactions within Concentra Bank's expertise;
- Undertaking regular stress testing to determine probable impacts and develop treatment plans;
- Establishing loan and investment management risk tolerances and limits to manage credit risk and reporting compliance with those limits to relevant internal stakeholders;
- Maintaining underwriting guidelines and procedures aligned to policy and risk appetite; and
- Complying with applicable regulatory expectations, regulations and guidelines.

Concentra Bank mitigates credit risk by taking collateral for funds advanced or other credit enhancements such as financial guarantees. Concentra Bank maintains policies and guidelines on the acceptability of specific classes of collateral or credit risk treatment. The principal collateral types against loans are in the form of mortgage interests over residential and commercial property, charges over business assets such as property, inventory, and accounts receivable, other registered security interest over assets, and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed for impairment.

Concentra Bank follows a dual stream approval process for credit transactions, where the First Line of Defense (Retail and Commercial Banking) recommends a transaction and the Second Line of Defense (Credit Risk function within the Risk Management Group) concurs with the recommendation. Both a recommendation and concurrence must occur for the transaction to be approved. In addition, the Credit Risk Review function within the Risk Management Group conducts ongoing systematic reviews of the credit adjudication process and the condition of the credit portfolio, with regular reporting to the Board of Concentra Bank.

For regulatory purposes, Concentra Bank measures credit risk under Basel III using the standardized approach. Under this approach, risk weights prescribed by the Office of the Superintendent of Financial Institutions (OSFI) are used to calculate risk-weighted assets for credit risk exposures. In measuring credit risk for internal capital adequacy assessment process (ICAAP) purposes, internal models are used to quantify capital required to cover credit risk exposures. In addition, internal capital is set aside for stress testing credit risk exposures under extreme but plausible conditions.

Consolidated risk measurement

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 Morningstar, Standard and Poor's, and Moody's). SaskCentral uses the most conservative rating from the rating agency data available. In the loans portfolio, SaskCentral places primary reliance on internal risk ratings and a comprehensive review of the credit worthiness of the borrower and the quality of the collateral underlying the loan. SaskCentral does not transact in credit derivatives.

SaskCentral is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. 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:

	2021		
	Amount	Undrawn	
	outstanding	commitments ⁽¹⁾	Total
Cash and cash equivalents	102,640	-	102,640
Securities	2,663,618	-	2,663,618
Derivative assets	3,549	-	3,549
Loans	15,279	579,944	595,223
Investments in associates	37,291	-	37,291
Total exposure	2,822,377	579,944	3,402,321

⁽¹⁾ Excludes origination commitment as they are not tied to specific borrowers and therefore do not represent a credit risk exposure. Refer to note 28 for more information.

	2020		
	Amount	Undrawn	
	outstanding	commitments ⁽¹⁾	Total
Cash and cash equivalents	1,032,094	-	1,032,094
Securities	3,724,604	-	3,724,604
Derivative assets	20,180	-	20,180
Loans	8,878,280	1,348,546	10,226,826
Investments in associates	37,314	-	37,314
Letters of credit and financial guarantees	-	35,420	35,420
Total exposure	13,692,472	1,383,966	15,076,438

⁽¹⁾ Excludes origination commitments as they are not tied to specific borrowers and therefore do not represent a credit risk exposure. Refer to note 28 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The following table summarizes the credit quality of SaskCentral's non-derivative financial assets and undrawn commitments by risk rating category:

	2021 \$			2020 \$	
	Stage 1	Stage 2	Stage 3	Total	Total
Loans at amortized cost					
Low risk	13,211	-	-	13,211	5,517,117
Standard monitoring	2,068	-	-	2,068	2,446,619
Special monitoring	-	-	-	-	94,575
Default	-	-	-	-	38,394
Total exposure	15,279	-	-	15,279	8,096,705
Allowance for credit losses	(21)	-	-	(21)	(34,748)
Loans at FVTOCI					
Low risk	-	-	-	-	177,321
Standard monitoring	-	-	-	-	595,433
Special monitoring	-	-	-	-	6,289
Default	-	-	-	-	2,532
Total exposure	-	-	-	-	781,575
Impairment reserve ⁽¹⁾	-	-	-	-	(1,843)
Undrawn commitments and letters of credit ⁽²⁾					
Low risk	574,944	-	-	574,944	1,043,666
Standard monitoring	5,000	-	-	5,000	340,294
Special monitoring	-	-	-	-	6
Total exposure ⁽³⁾	579,944	-	-	579,944	1,383,966
Allowance for credit losses	-	-	-	-	(885)
Securities at FVTOCI					
AAA/R1H	49,981	-	-	49,981	701,314
AA/R1M	32,043	-	-	32,043	199,771
A/R1L	81,150	-	-	81,150	285,530
BBB/R2H	9,268	-	-	9,268	57,788
BB/R2M	-	-	-	-	9,454
Unrated	5,680	-	-	5,680	4,924
Total exposure	178,122	-	-	178,122	1,258,781
Impairment reserve ⁽¹⁾	(43)	-	-	(43)	(318)
FVTPL securities					
AAA/R1H	693,432	-	-	693,432	668,104
AA/R1M	650,662	-	-	650,662	612,681
A/R1L	846,748	-	-	846,748	776,004
BBB/R2H	258,794	-	-	258,794	327,080
Unrated	18,869	-	-	18,869	74,947
Total exposure	2,468,505	-	-	2,468,505	2,458,816

⁽¹⁾ Impairment reserves represent the accumulated ECLs which have been reclassified from OCI to net income since inception of the FVTOCI debt instruments.

⁽²⁾ Excludes origination commitments as they are not tied to specific borrowers and therefore do not represent a credit risk exposure. Refer to note 28 for more information.

⁽³⁾ The total exposure for undrawn commitments represents the maximum amount SaskCentral is contractually committed to fund. Many of these contracts will expire without being drawn upon and thereby reduce SaskCentral's credit risk from the maximum commitment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Collateral and other credit enhancements

(a) Residential mortgages

All of SaskCentral's residential mortgages are secured by a first charge mortgage against the underlying property. SaskCentral considers the value of the underlying collateral as a key indicator of credit quality and quantifies risk within its residential mortgages portfolio, in part, with reference to a mortgage's loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan (or the amount committed for undrawn commitments) to the value of the underlying collateral. For loans whose LTV exceeds 80% at origination, SaskCentral will obtain an additional credit enhancement in the form of default insurance. Default insurance is issued either by the government backed Canada Mortgage and Housing Corporation (CMHC) or another highly rated financial institution and covers shortfalls in the realized value of collateral relative to the principal balance of a defaulted loan upon completion of foreclosure procedures.

As at December 31, 2020, 67.2% of SaskCentral's residential mortgages were insured against borrower default.

(b) Consumer loans

Certain loans within SaskCentral's consumer loans portfolios are treated as unsecured credit exposures due to the relatively poor collateral value provided by the underlying assets (used automobiles, home renovations, retail goods, etc.). Thus, as a further credit enhancement, SaskCentral has entered into an arrangement with its largest third party originator to provide a limited financial guarantee over the loans they originate. The guarantee is secured by a cash reserve held on deposit with SaskCentral and SaskCentral has the right to reimburse any credit losses experienced within the portfolio from the funds held in the reserve. The originator's guarantee is limited to the value of the cash reserve and SaskCentral has no further recourse against the originator should actual losses exceed the reserve amount. As at December 31, 2021 the cash reserve had a balance of \$nil (2020 - \$6,813) providing credit enhancement to \$nil (2020 - \$443,163) of SaskCentral's consumer loans.

(c) Commercial mortgages and loans

As at December 31, 2020, approximately 80.4% of SaskCentral's commercial portfolio consists of real estate and construction lending which are secured by a first charge mortgage over the underlying property. SaskCentral will also take collateral in the form of general security agreements over business assets and guarantees from shareholders and/or members of the corporate group when appropriate. SaskCentral does not routinely update the valuation of collateral held against its commercial loans as its ongoing risk management practices are focused around the general credit worthiness of the borrower rather than quality of collateral. Consequently, valuations of collateral are updated only when required to negotiate a significant restructuring/refinancing of an existing loan or to determine workout strategies for distressed assets.

Approximately 100% (2020 - 19.6%) of SaskCentral's commercial portfolio consists of lines of credit to credit unions. SaskCentral doesn't hold any collateral on these line of credit to credit unions.

(d) Securities

SaskCentral is exposed to credit risk related to its securities. SaskCentral doesn't hold any collateral on these securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk by industry

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 by industry for financial assets, excluding credit exposures on residential mortgages and consumer loans.

	2021	2020
	\$	\$
Agriculture, forestry, fishing & hunting	-	109,273
Automobile financing	85,487	95,868
Banking (Schedule 1)	458,207	1,171,421
Construction	-	635,550
Health care and social assistance	-	88,937
Hospitality	-	63,435
Information	86,141	132,683
Insurance carriers and related activities	997	997
Local credit union	491,758	667,132
Manufacturing	92,307	132,255
Master asset vehicles	-	10
Mining & oil and gas extraction	67,945	32,389
Other non-depository (co-operatives)	278,931	228,680
Public administration (federal, provincial, and municipal government)	1,459,277	2,019,655
Real estate	103,676	430,918
Residential mortgages - conventional	1,103	1,144
Retail trade	41,816	36,630
Securities, commodity contracts and other FI's	54,147	56,085
Transportation and warehousing	26,745	160,546
Utilities	153,784	235,958
Wholesale trade	-	17,313
Other	-	694,021
Total exposure	3,402,321	7,010,900

Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a derivative or FX spot transaction could default before the final settlement of the transaction. In order to reduce counterparty credit risk exposure, SaskCentral uses, where possible, legally enforceable bi-lateral and multi-lateral netting agreements with counterparties. All over-the-counter derivatives are executed under industry standards agreements such as an International Swaps and Derivatives Association (ISDA) agreement (or equivalent). SaskCentral uses legally enforceable collateral arrangements, such as a credit support annex (CSA) where SaskCentral has chosen to adopt an exchange of variation margin.

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4. 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

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; and
- 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 quarterly basis. These policies outline maximum limits for the exposure of net interest income and the economic value of equity.

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, management 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.

SaskCentral's market risk objectives and methodologies have not changed materially from December 31, 2020.

Concentra Bank

Concentra Bank manages market risk by:

- Monitoring exposure to changes in interest rates and foreign exchange rates, including simulating the impact of interest rate changes;
- Using on- and off-balance sheet strategies to manage interest rate and foreign exchange risk;
- Undertaking regular stress testing to determine the impact from an immediate change in interest rates and develop treatment plans;
- Establishing aggregate risk tolerances and limits to manage market risk and reporting with those limits to relevant internal stakeholders; and
- Complying with applicable regulatory expectations, regulations and guidelines.

Concentra Bank has established policies that outline limits for the exposure of net interest income and the economic value of equity to interest rate and price risk, foreign currency risk and derivative portfolio concentrations.

Concentra Bank does not have a trading book and therefore market risk is limited to the banking book only.

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Consolidated risk measurement

The market risk position is measured on a monthly basis. Measurement of market risk is based upon key assumptions such as future interest rate movements, asset growth, and funding mix. The short term (next 12 months) market risk position is assessed by measuring both the impact of an immediate 200 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 200 bp shock and a 30% rate ramp scenario on the economic value of equity.

The short term risk position of Concentra Bank is assessed by measuring the impact of an immediate 100 bp shock on net interest income. The long term risk position of Concentra Bank is measured by the impact of an immediate 100bp shock on the economic value of equity.

The information presented is a measurement of interest rate sensitivity gaps at a specific point in time, and there is potential for these gaps to change significantly over a short period. The impact on earnings from changes in market interest rates will depend on both the magnitude of and speed with which interest rates change, as well as the size and maturity structure of the cumulative interest rate gap position and the management of these positions over time.

Neither SaskCentral nor Concentra Bank is exposed to significant currency risk as the net foreign currency positions are not significant.

The following represents SaskCentral's market risk position, excluding Concentra Bank:

	2021		2020	
	Adjusted net interest income	Economic value of equity	Adjusted net interest income	Economic value of equity
Impact of:				
200 bp increase in rates	(9.73%)	(3.35%)	38.22%	(2.79%)
200 bp decrease in rates	2.85%	0.21%	(15.37%)	6.03%
Impact of:				
30% rate ramp increase	(0.97%)	0.11%	3.74%	(0.15%)
30% rate ramp decrease	(5.57%)	1.16%	(3.51%)	1.12%

The following represents the Concentra Bank market risk position:

	2021		2020	
	Adjusted net interest income	Economic value of equity	Adjusted net interest income	Economic value of equity
Impact of:				
100 bp increase in rates	2,911	2,709	492	(7,732)
100 bp decrease in rates ⁽¹⁾	(2,469)	(2,313)	(397)	8,216

⁽¹⁾ The rates have been adjusted to zero where effective rates at December 31 were less than zero after 100 bp decrease in rates.

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk

SaskCentral's exposure to interest rate risk is the risk of capital and earnings 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

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 200 bp parallel shift in the yield curve will not negatively affect the economic value of equity by more than 20% or projected annual net interest income by more than 40% and a 30% rate ramp scenario will not negatively affect the economic value of equity by more than 10% or projected annual net interest income by more than 20%.

SaskCentral's interest rate sensitivity, excluding Concentra Bank, to fluctuations in the yield curve over the next twelve months are outlined in the following table:

	2021		2020	
	\$		\$	
	Profit (loss) for the year	Other comprehensive (loss) income	Profit (loss) for the year	Other comprehensive (loss) income
Impact of:				
200 bp increase in rates	5,305	(1,260)	7,849	(1,979)
200 bp decrease in rates	6,044	1,210	4,806	1,902

Concentra Bank

Concentra Bank measures its exposure to interest rate risk by the mismatch, or gap, between the assets, liabilities, and derivative financial instruments scheduled to mature or reprice on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that reprice in specific time periods.

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

Consolidated risk measurement

SaskCentral's consolidated gap analysis as at December 31 is outlined in the following tables. Repricing dates are based on the earlier of maturity or the contractual repricing date.

	2021 \$						
	Floating and on demand	Within 3 months	Over 3 months and 1 year	Over 1 year to 5 years	Over 5 years	Non- interest sensitive	Total
Assets							
Cash and cash equivalents	102,640	-	-	-	-	-	102,640
Securities	-	327,867	584,006	1,688,444	13,265	50,028	2,663,610
Loans	-	13,897	-	1,361	-	-	15,258
Other non-sensitive assets	-	-	-	-	-	11,023,094	11,023,094
Total assets	102,640	341,764	584,006	1,689,805	13,265	11,073,122	13,804,602
Liabilities							
Deposits	181,463	292,221	306,630	927,589	-	885,366	2,593,269
Loans and notes payable	-	29,998	-	-	-	-	29,998
Other non-sensitive liabilities	-	-	-	-	-	10,397,933	10,397,933
Equity attributable to equity holders	-	-	-	-	-	598,723	598,723
Non-controlling interest	-	-	-	-	-	184,679	184,679
Total liabilities and equity	181,463	322,219	306,630	927,589	-	12,066,701	13,804,602
On-balance sheet gap	(78,823)	19,545	277,376	762,216	13,265	(993,579)	-
Notional amount of derivative financial instruments							
Pay side instruments	-	(8,718)	(14,435)	(27,157)	-	-	(50,310)
Receive side instruments	-	8,718	14,345	27,157	-	-	50,310
Derivative financial instruments gap	-	-	-	-	-	-	-
Total gap	(78,823)	19,545	277,376	762,216	13,265	(993,579)	-
Total cumulative gap	(78,823)	(59,278)	218,098	980,314	993,579	-	-

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

	2020						Total
	Floating and on demand	Within 3 months	Over 3 months and 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	
Assets							
Cash	1,032,094	-	-	-	-	-	1,032,094
Securities	-	642,528	904,391	2,009,889	111,649	56,140	3,724,597
Loans	398,499	477,933	2,223,408	5,649,101	116,118	(21,527)	8,843,532
Other securitization assets	-	-	-	-	-	93,162	93,162
Other non-sensitive assets	-	-	-	-	-	185,408	185,408
Total assets	1,430,593	1,120,461	3,127,799	7,658,990	227,767	313,183	13,878,793
Liabilities							
Deposits	1,152,914	822,774	2,246,940	3,619,066	1,754	1,001,707	8,845,155
Loans and notes payable	40,278	69,114	144,320	-	-	1,046	254,758
Securitization liabilities	-	17,168	1,248,890	2,647,210	-	4,311	3,917,579
Other non-sensitive liabilities	-	-	-	-	-	80,025	80,025
Equity attributable to equity holders	-	-	-	-	-	599,233	599,233
Non-controlling interest	-	-	-	-	-	182,043	182,043
Total liabilities and equity	1,193,192	909,056	3,640,150	6,266,276	1,754	1,868,365	13,878,793
On-balance sheet gap	237,401	211,405	(512,351)	1,392,714	226,013	(1,555,182)	-
Notional amount of derivative financial instruments							
Pay side instruments	-	(640,317)	(242,562)	(295,482)	(53,311)	(40,560)	(1,272,232)
Receive side instruments	-	742,514	166,962	268,885	53,311	40,560	1,272,232
Derivative financial instruments gap	-	102,197	(75,600)	(26,597)	-	-	-
Total gap	237,401	313,602	(587,951)	1,366,117	226,013	(1,555,182)	-
Total cumulative gap	237,401	551,003	(36,948)	1,329,169	1,555,182	-	-

(b) 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 consolidated other price risk relates to its holdings of Schedule 1 bank rate reset preferred shares and equity exchange traded funds. SaskCentral manages its other price risk by adhering to the *Financial Management Policy*.

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4. 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.

SaskCentral

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

- Investing in a stock of high quality liquid assets (HQLA);
- Ensuring liquidity funding sources are sufficient to meet the requirements for normal operating mode, emergency operating mode, and bridge operations;
- Complying with the requirements of the Group Clearer, which is based on the Bank of Canada's Standing Liquidity Facility;
- Maintaining access to the Standing Term Liquidity Facility to manage idiosyncratic stress events;
- Maintaining a *Liquidity Crisis Management Plan* document and a *Capital & Liquidity Options for Credit Unions* document 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; and
- Maintaining an investment grade rating of R1-low.

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 quarterly 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.

SaskCentral uses two metrics to monitor liquidity risk: the SaskCentral stand-alone Liquidity Coverage Ratio (LCR) and a system-wide LCR. The system-wide LCR is a combined view of Saskatchewan credit unions and is calculated by CUDGC. The stand-alone LCR is modeled after the CUDGC Standards of Sound Business Practice - Liquidity Adequacy Requirements (SSBP-LAR). This SSBP does not apply to SaskCentral; however, SaskCentral has incorporated the LAR principles in the LCR.

	2021		2020	
	System-wide LCR	Stand-alone LCR	System-wide LCR	Stand-alone LCR
Policy limit	120%	110%	120%	110%
Actual	221%	153%	279%	151%

During 2021, SaskCentral discontinued the use of the liquidity score to monitor liquidity risk. There were no other material changes to SaskCentral's liquidity risk objectives, policies, and methodologies from December 31, 2020.

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4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Concentra Bank

Concentra Bank manages liquidity risk by:

- Daily monitoring of cash flows;
- Investing a prudent portion of the investment portfolio in liquid, low-risk, unencumbered instruments;
- Acquiring credit union, commercial, and retail deposits and accessing capital markets;
- Diversifying funding resources;
- Maintaining external credit facilities, including lines of credit, to support daily liquidity and business needs and unforeseen liquidity events;
- Maintaining an investment grade market rating;
- Maintaining a liquidity plan, including a liquidity contingency funding plan, and funding strategy to ensure there is sufficient cash and high quality cash equivalents to support daily liquidity needs;
- Undertaking regular stress testing to assist in identifying, measuring, and controlling liquidity and funding risks, assessing the adequacy of liquidity buffers in case of both internal and market-wide stress events, and developing treatment plans;
- Establishing aggregate tolerances and limits to manage funding and liquidity risk and reporting compliance with those limits to relevant internal stakeholders; and
- Complying with applicable regulatory expectations, regulations, and guidelines.

The assessment of the liquidity position reflects management's estimates, assumptions, and judgments relative to current and future company specific operations and market conditions. Concentra Bank's liquidity position is monitored on a daily basis to ensure obligations can be met and cash is optimized for the balance sheet. The goal is to effectively use Concentra Bank's portfolio of HQLA and back stop liquidity facilities to ensure liquidity access during constrained liquidity conditions.

The liquidity position is monitored for policy purposes in reference to the OSFI prescribed LCR which is based on a thirty-day liquidity stress scenario, with assumptions defined in the Liquidity Adequacy Requirements (LAR) Guideline. The LCR is calculated as the ratio of HQLA eligible non-operational demand and overnight deposits to net cash outflow over the next thirty days. HQLA are defined in the LAR Guideline, and are grouped into three main categories, with varying reductions applied. The total weighted values for net cash outflows for the next thirty days are derived by applying the assumptions specified in the LAR Guideline to specific items, including loans. Concentra Bank also incorporates a number of internal liquidity measures to forecast liquidity requirements including a minimum Net Cumulative Cash Flow that is used to identify potential cash flow shortfalls at different points over a 12-month horizon.

Throughout 2021 and 2020, Concentra Bank has been in compliance with the OSFI prescribed LAR Guideline.

In October 2014, the Basel Committee on Banking Supervision released its final document on the Net Stable Funding Ratio (NSFR). Application of NSFR for Domestic Systemically Important Banks was implemented effective January 1, 2020 while the application of NSFR to small and medium-sized institutions is targeted for a later date. SaskCentral continues to monitor developments related to liquidity requirements.

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4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Consolidated risk measurement

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

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

	2021						
	\$						
	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Deposits	181,463	287,704	306,630	927,589	-	889,883	2,593,269
Loans and notes payable	-	29,998	-	-	-	-	29,998
Total exposure	181,463	317,702	306,630	927,589	-	889,883	2,623,267

	2020						
	\$						
	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Deposits	1,152,914	822,774	2,246,940	3,619,066	1,754	1,001,707	8,845,155
Loans and notes payable	40,278	69,114	144,320	-	-	1,046	254,758
Securitization liabilities	-	17,168	1,248,890	2,647,210	-	4,311	3,917,579
Total exposure	1,193,192	909,056	3,640,150	6,266,276	1,754	1,007,064	13,017,492

Offsetting financial assets and liabilities

Certain financial assets and financial liabilities are subject to enforceable master netting agreements or similar arrangements. Each agreement between SaskCentral and the counterparty allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting arrangement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Based on the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods defined in the respective agreements after notice of such failure is given to the party; or bankruptcy.

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4. FINANCIAL RISK MANAGEMENT (continued)

Offsetting financial assets and liabilities (continued)

The following table summarizes the financial assets and liabilities subject to master netting arrangements or similar arrangements and the potential impact of these arrangements on the consolidated balance sheet. As described in note 2.2, on December 31, 2021 SaskCentral's investment in Concentra Bank was classified as assets held for sale and was accounted for in accordance with IFRS 5. As a result, the offsetting financial assets and liabilities for 2021 related to Concentra Bank are not disclosed in this note.

	2020					
	\$					
	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount ⁽³⁾
				Impact of master netting agreements or similar agreements ⁽¹⁾	Collateral received/pledged ⁽²⁾	
Financial assets						
Derivative assets	22,732	-	22,732	(4,020)	(5,088)	13,624
Financial liabilities						
Derivative liabilities	25,005	-	25,005	(4,020)	-	20,985
Repurchase payable	10,017	-	10,017	-	(10,009)	8
Total financial liabilities	35,022	-	35,022	(4,020)	(10,009)	20,993

⁽¹⁾ Amounts that are subject to master netting arrangements or similar agreements but were not offset because they did not meet the net settlement/simultaneous settlement criteria; or because the rights of set off are conditional upon the default of the counterparty only.

⁽²⁾ Collateral received and pledged amounts are reflected at fair value but have been limited to the net balance sheet exposure so as not to include any over-collateralization.

⁽³⁾ Not intended to represent SaskCentral's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to offsetting and collateral arrangements.

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5. 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	Classification	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		2021 \$	2020 \$		
Financial assets					
Government	FVTOCI	1,246,902	875,583	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	1,459,277	1,386,792	Level 2	
Corporate debt	FVTOCI	94,212	160,077	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	694,156	782,551	Level 2	
	FVTPL	58,734	31,263	Level 3	
Asset-backed	FVTOCI	11,633	-	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
Chartered banks	FVTOCI	195,285	208,354	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	FVTPL and designated FVTPL	270,724	216,070	Level 2	
	FVTPL	25,479	-	Level 2	
Co-operatives ⁽¹⁾	FVTOCI	5,680	10,842	Level 2	Discounted cash flow. Future cash flows based on projected operating results of the entity and a terminal growth rate ranging from 0% - 2% (2020 - 2%). Discount rate ranging 10% - 11% (2020 - 10% to 11%).
	FVTPL	12,192	-	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
Exchange Traded Funds	FVTPL	17,754	7,776	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.
MAV	FVTPL	-	10	Level 2	Market comparable prices using dealer quoted prices.

⁽¹⁾ Certain co-operative securities with a carrying value at December 31, 2021 of \$26,764 (2020 - \$25,942) 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.

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5. 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	Classification	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		2021 \$	2020 \$		
Financial assets (continued)					
Derivative assets					
Index-linked term deposits	FVTPL	8,655	6,855	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.
Interest rate swaps	FVTPL	6,684	13,945	Level 2	Market comparable prices using yields with matching terms to maturity. The fair values reflect the estimated amounts that SaskCentral would receive if the contracts were terminated at the reporting date.
Forward rate contracts	FVTPL	170	788	Level 2	Market comparable prices using yields with matching terms to maturity. The fair values reflect the estimated amounts that SaskCentral would receive if the contracts were terminated at the reporting date.
Foreign exchange contracts	FVTPL	362	1,144	Level 2	Market comparable prices using yields with matching terms to maturity. The fair values reflect the estimated amounts that SaskCentral would receive if the contracts were terminated at the reporting date.
Loans	FVTOCI	2,115,672	780,399	Level 3	Discounted cash flows based on current market rates of interest for similar lending. The credit risk adjustment based on perceived credit worthiness of a borrower is an unobservable input resulting in certain loans being classified at Level 3 in the fair value hierarchy. The credit risk adjustment ranged from 2.10% to 6.42% (2020 - 2.30% to 6.42%) with a change in fair value ranging from \$9,057 to (\$9,773) (2020 - \$3,164 to (\$6,062)).
Reclassification to assets held for sale		(3,569,404)	-		
Total financial assets		2,654,167	4,482,449		

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5. 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	Classification	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		2021	2020		
		\$	\$		
Financial liabilities					
Deposits	Designated FVTPL	2,407,289	2,341,186	Level 2	Discounted cash flow. Future cash flows are determined based on rates for the underlying asset portfolio, estimated using market comparable rates from Bloomberg.
Derivative liabilities					
Index-linked term deposits	FVTPL	8,655	6,855	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.
Interest rate swaps	FVTPL	5,918	15,841	Level 2	Market comparable prices using yields with matching terms to maturity. The fair values reflect the estimated amounts that SaskCentral would receive or pay to terminate the contracts at the reporting date.
Foreign exchange contracts	FVTPL	344	1,134	Level 2	Market comparable prices using yields with matching terms to maturity. The fair values reflect the estimated amounts that SaskCentral would receive if the contracts were terminated at the reporting date.
Forward rate contracts	FVTPL	813	1,175	Level 2	Market comparable prices using yields with matching terms to maturity. The fair values reflect the estimated amounts that SaskCentral would receive or pay to terminate the contracts at the reporting date.
Reclassification to liabilities associated with assets held for sale		(7,075)	-		
Total financial liabilities		2,415,944	2,366,191		

SaskCentral's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2021, SaskCentral transferred \$1,181,106 of residential mortgages into Level 3 assets recorded at fair value due to the business model under which the assets are managed changing from a hold to collect to a hold to collect and sell model. There were no other transfers between Level 1, Level 2 and/or Level 3 in 2021 and 2020. There were no other transfers between Level 1, Level 2 and/or Level 3 in 2021 and 2020.

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

Reconciliation of Level 3 fair value measurements

The following table summarizes the changes in Level 3 assets and liabilities recorded at fair value for the year ended December 31, 2021:

	2021	2020
	\$	\$
Level 3, beginning of year	811,662	748,574
Unrealized gains (losses) in profit or loss	1,471	(596)
Unrealized (losses) gains in OCI	(11,765)	9,265
Purchases/issuances	788,310	251,079
Sales/settlements	(596,378)	(196,660)
Transfer in (out) of Level 3	1,181,106	-
Reclassification to assets held for sale	(2,174,406)	-
Level 3, end of year	-	811,662
Total gains for the period included in profit or loss for assets held at the end of the reporting period	-	31,265

SaskCentral holds securities for which the fair value is derived using significant unobservable inputs. Securities classified as Level 3 instruments include investments in Canadian and U.S. credit and real estate pooled funds. Pooled fund investments are valued based on estimated fair values determined using appropriate techniques and best estimates by either the investment administrator, management of the pooled fund, or appraisers.

Where external appraisers are engaged to perform the valuation, the investment administrator ensures the appraisers are independent and compares the assumptions used with the administrator's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment. Significant unobservable inputs include discount rates, capitalization rates, rent forecasts, market interest rates and credit spreads. The year-end fair values of the pooled funds are provided by the investment administrator and are recorded based on net asset values. These net asset values are reviewed by management.

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5. 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
	2021	2020	2021	2020		
	\$	\$	\$	\$		
Financial assets						
Loans	15,279	15,924	15,275	15,918	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
	6,984,934	8,081,957	6,961,128	8,164,785	Level 3	Discounted cash flows based on current market rates of interest for similar lending. The credit risk adjustment based on perceived credit worthiness of a borrower is an unobservable input resulting in certain loans being classified at Level 3 in the fair value hierarchy.
Central 1 subordinated debentures	7,000	7,000	7,048	6,981	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
Reclassification to assets held for sale	(6,984,934)	-	(6,961,128)	-		
Total financial assets	22,279	8,104,881	22,323	8,187,684		
Financial liabilities						
Deposits ⁽¹⁾	6,877,105	6,503,969	6,880,950	6,542,749	Level 2	Discounted cash flows based on current market rates of interest for similar maturities.
Loans and notes payable	194,257	254,758	194,257	254,485	Level 2	
Securitization liabilities	3,439,709	3,917,579	3,413,474	3,966,113	Level 2	
Reclassification to liabilities associated with assets held for sale	(10,295,093)	-	(10,277,220)			
Total financial liabilities	215,978	10,676,306	211,461	10,763,347		

⁽¹⁾ Certain deposits are designated at FVTPL and are measured at fair value on a recurring basis. The fair value methods for these deposits have been disclosed in the preceding charts.

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6. CAPITAL MANAGEMENT

Concentra Bank manages and monitors capital independently of SaskCentral and as such, the entities are discussed separately for the purpose of this note.

SaskCentral

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

SaskCentral manages its capital by monitoring, on a quarterly basis, a number of regulatory requirements as prescribed by CUDGC and by internal Board and operational policies. The regulatory capital ratio (Borrowing Multiple) calculation is specified in the CUDGC *Capital Adequacy Requirements Prudential Standard 2017-02 for SaskCentral*. Annually, SaskCentral develops a three-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 in the organization. Total borrowings are comprised of total deposits, loans and notes 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 CUDGC. Internal board and management policies for this ratio are set at 18.5 (2020 - board policy of 17.0 and management target of 16.0) times.

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 AOCI and goodwill. CUDGC monitors SaskCentral on a non-consolidated basis, as such for the purposes of SaskCentral's non-consolidated regulatory capital, the goodwill resulting from the acquisition of control is not included. Tier 2 regulatory capital consists of subordinated debentures, less any amortization on the subordinated debentures as required by CUDGC. 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.

CUDGC also prescribes an ICAAP to address SaskCentral's unique conditions. ICAAP is an integrated process that evaluates capital adequacy and is used to establish capital targets that take into consideration the strategic direction and risk appetite of SaskCentral. ICAAP seeks to identify the material risks requiring capital and quantify the amount of capital that should be held in relation to those risks.

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

	2021	2020
	\$	\$
Capital		
Tier 1 and Tier 2 regulatory capital	597,244	583,609
Less deductions:		
Substantial investments	426,896	401,420
Assets of little value	186	9,060
Total borrowing multiple capital	170,162	173,129
Borrowing multiple	15.5:1	14.9:1

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6. CAPITAL MANAGEMENT (continued)

Concentra Bank

Concentra Bank manages and monitors capital from several perspectives, including regulatory and ICAAP capital. Under the Basel III framework, regulatory capital is allocated to three tiers: Common Equity Tier 1 (CET 1), Tier 1 and Tier 2. CET 1 regulatory capital comprises the more permanent components of capital and consists of common share capital, retained earnings, and AOCI. In addition, goodwill and other items as prescribed by OSFI are deducted from CET 1 regulatory capital. Tier 1 regulatory capital comprises of CET 1 and additional Tier 1 items which include preferred shares. Tier 2 regulatory capital consists of general allowances (eligible stage 1 and stage 2 allowances) less deductions as prescribed by OSFI. Total regulatory capital is defined as the sum of Tier 1 and Tier 2 regulatory capital.

Regulatory ratios are calculated by dividing CET 1 regulatory capital, Tier 1 regulatory capital and total regulatory capital by risk-weighted assets (RWA). The calculation of RWA is determined from OSFI prescribed rules relating to on-balance sheet and off-balance sheet exposures and includes an amount for operational risk. Concentra Bank is not required to compute market risk since Concentra Bank is not an internationally active financial institution. In addition, OSFI formally establishes risk-based capital limits for deposit-taking institutions. Currently OSFI limits are a minimum CET 1 regulatory capital to RWA ratio of 7%, a minimum Tier 1 regulatory capital to RWA ratio of 8.5% and a minimum total regulatory capital to RWA ratio of 10.5%. In addition, Canadian financial institutions are required to maintain a material operating buffer above the OSFI prescribed minimum leverage ratio of 3%. The regulatory requirements are determined on a Basel III "all in" basis as per OSFI guidelines.

Throughout 2021 and 2020, Concentra Bank has been in compliance with OSFI prescribed capital adequacy requirements.

	2021 \$	2020 \$
Capital		
Common Equity Tier 1 regulatory capital	408,188	393,415
Tier 1 regulatory capital	519,175	504,402
Total regulatory capital	537,124	523,214
Risk-weighted assets		
Credit risk	3,040,744	2,848,400
Operational risk	238,037	218,868
Total risk-weighted assets	3,278,781	3,067,268
Capital ratios		
Common Equity Tier 1 regulatory capital to risk-weighted assets	12.5%	12.8%
Tier 1 regulatory capital to risk-weighted assets	15.8%	16.4%
Total regulatory capital to risk-weighted assets	16.4%	17.1%
Leverage ratio	4.6%	4.4%

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6. CAPITAL MANAGEMENT (continued)

Concentra Bank (continued)

Concentra Bank's subsidiary, Concentra Trust, is also required to meet these regulatory capital requirements. Throughout 2021 and 2020, Concentra Trust has been in compliance with OSFI's prescribed capital adequacy requirements.

	2021 \$	2020 \$
Capital		
Common Equity Tier 1 regulatory capital	17,408	16,269
Tier 1 regulatory capital	17,408	16,269
Total regulatory capital	17,427	16,284
Risk-weighted assets		
Credit risk	4,630	4,612
Operational risk	19,238	18,786
Total risk-weighted assets	23,868	23,398
Capital ratios		
Common Equity Tier 1 regulatory capital to risk-weighted assets	72.9%	69.5%
Tier 1 regulatory capital to risk-weighted assets	72.9%	69.5%
Total regulatory capital to risk-weighted assets	73.0%	69.6%
Leverage ratio	92.1%	89.9%

7. CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
Cash and balances with Central 1	96,421	137,023
Cash and balances with banks	188,028	753,213
Cash equivalents	-	141,858
Reclassification to assets held for sale [note 30]	(181,809)	-
	102,640	1,032,094

8. SECURITIES

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 65% (2020 - 77%) 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.

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8. SECURITIES (continued)

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

	2021						Total
	\$						
	Term to maturity						
	Yield (1)	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	
FVTOCI							
Government - non-securitized							
Fair value	0.64%	19,522	78,887	1,036,782	17,216	-	1,152,407
Amortized cost		19,477	78,498	1,040,419	17,200	-	1,155,594
Government - securitized							
Fair value	0.74%	62,859	31,636	-	-	-	94,495
Amortized cost		62,713	30,355	-	-	-	93,068
Corporate debt (2)							
Fair value	1.80%	-	35,941	50,387	7,884	-	94,212
Amortized cost		-	35,868	50,180	7,752	-	93,800
Asset-backed							
Fair value	1.50%	-	-	11,633	-	-	11,633
Amortized cost		-	-	11,701	-	-	11,701
Chartered banks							
Fair value	1.24%	66,666	62,299	66,320	-	-	195,285
Amortized cost		66,658	62,097	65,276	-	-	194,031
Co-operatives (3)							
Fair value		-	-	-	-	5,680	5,680
Amortized cost		-	-	-	-	1,427	1,427
Total FVTOCI fair value		149,047	208,763	1,165,122	25,100	5,680	1,553,712
Total FVTOCI amortized cost		148,848	206,818	1,167,576	24,952	1,427	1,549,621
Designated FVTPL							
Government							
Fair value	0.82%	196,079	304,410	958,788	-	-	1,459,277
Amortized cost		195,994	303,256	957,398	-	-	1,456,648
Corporate debt (2)							
Fair value	1.51%	32,216	182,629	474,057	5,254	-	694,156
Amortized cost		32,190	182,097	474,802	5,218	-	694,307
Chartered banks							
Fair value	1.12%	22,923	54,022	192,768	1,011	-	270,724
Amortized cost		22,873	53,838	194,702	1,015	-	272,428
Total designated FVTPL fair value		251,218	541,061	1,625,613	6,265	-	2,424,157
Total designated FVTPL amortized cost		251,057	539,191	1,626,902	6,233	-	2,423,383

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

(2) corporate debt includes commercial paper and medium-term notes

(3) SaskCentral has chosen to elect certain equity securities at FVTOCI under IFRS 9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. SECURITIES (continued)

	2021 (continued)						Total
	\$						
	Yield ⁽¹⁾	Term to maturity					
Within 3 months		Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity		
FVTPL							
Chartered banks							
Fair value	4.13%	-	-	-	-	25,479	25,479
Amortized cost		-	-	-	-	25,096	25,096
Corporate Debt							
Fair value	6.90%	-	-	5,076	-	-	5,076
Amortized cost		-	-	5,000	-	-	5,000
Co-operatives							
Fair value		-	-	-	8,493	84,121	92,614
Amortized cost		-	-	-	7,848	82,908	90,756
Exchange Traded Funds							
Fair Value	3.40%	-	-	-	-	17,754	17,754
Amortized Cost		-	-	-	-	15,582	15,582
Total FVPTL fair value		-	-	5,076	8,493	127,354	140,923
Total FVPTL amortized cost		-	-	5,000	7,848	123,586	136,434
Amortized cost							
Central 1 subordinated debentures							
Amortized cost	0.62%	-	-	7,000	-	-	7,000
Total carrying value of securities							4,125,792
Accrued interest							12,079
Allowance for credit losses [note 11]							(8)
							4,137,863
Reclassification to assets held for sale [note 30]							(1,474,253)
							2,663,610

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

⁽²⁾ corporate debt includes commercial paper and medium-term notes

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8. SECURITIES (continued)

	2020						Total
	\$						
	Yield ⁽¹⁾	Term to maturity				No fixed maturity	
Within 3 months		Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years			
FVTOCI							
Government - non-securitized							
Fair value	1.01%	15,209	129,552	437,631	-	-	582,392
Amortized cost		15,199	128,564	432,834	-	-	576,597
Government - securitized							
Fair value	1.14%	124,992	103,040	65,159	-	-	293,191
Amortized cost		124,397	101,943	64,461	-	-	290,801
Corporate debt ⁽²⁾							
Fair value	1.71%	30,352	29,636	88,751	11,338	-	160,077
Amortized cost		30,316	29,533	86,083	11,170	-	157,102
Chartered banks							
Fair value	1.64%	51,255	58,821	98,278	-	-	208,354
Amortized cost		51,156	58,564	94,811	-	-	204,531
Co-operatives ⁽³⁾							
Fair value	2.14%	-	-	5,918	-	4,924	10,842
Amortized cost		-	-	5,500	-	1,427	6,927
Total FVTOCI fair value		221,808	321,049	695,737	11,338	4,924	1,254,856
Total FVTOCI amortized cost		221,068	318,604	683,689	11,170	1,427	1,235,958
Designated FVTPL							
Government							
Fair value	0.87%	187,224	355,509	770,210	73,849	-	1,386,792
Amortized cost		187,203	354,335	757,345	73,383	-	1,372,266
Corporate debt ⁽²⁾							
Fair value	1.64%	64,904	153,421	545,611	14,069	-	778,005
Amortized cost		64,751	152,628	533,065	13,918	-	764,362
Chartered banks							
Fair value	1.81%	17,888	74,411	88,403	-	-	180,702
Amortized cost		17,863	73,557	86,830	-	-	178,250
Total designated FVTPL fair value		270,016	583,341	1,404,224	87,918	-	2,345,499
Total designated FVTPL amortized cost		269,817	580,520	1,377,240	87,301	-	2,314,878

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

⁽²⁾ corporate debt includes commercial paper and medium-term notes

⁽³⁾ SaskCentral has chosen to elect certain equity securities at FVTOCI under IFRS 9

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. SECURITIES (continued)

	2020 (continued)						Total
	\$						
	Yield ⁽¹⁾	Term to maturity					
Within 3 months		Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity		
FVTPL							
Corporate debt ⁽²⁾							
Fair value	0.87%	-	-	4,450	-	31,359	35,809
Amortized cost		-	-	5,000	-	31,454	36,454
Chartered banks							
Fair value	4.73%	-	-	-	5,384	29,984	35,368
Amortized cost		-	-	-	4,984	29,427	34,411
Co-operatives							
Fair value	-	-	-	-	-	25,942	25,942
Amortized cost		-	-	-	-	25,942	25,942
Exchange Traded Funds							
Fair Value	4.10%	-	-	-	-	7,776	7,776
Amortized Cost		-	-	-	-	7,635	7,635
MAV							
Fair value		-	-	-	10	-	10
Total FVPTL fair value		-	-	4,450	5,394	95,061	104,905
Total FVTPL amortized cost		-	-	5,000	4,984	94,458	104,442
Amortized cost							
Central 1 subordinated debentures							
Amortized cost	0.56%	-	-	-	7,000	-	7,000
Total carrying value of securities							3,712,260
Accrued interest							12,344
Allowance for credit losses [note 11]							(7)
							3,724,597

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. SECURITIES (continued)

Unrealized gains and losses on securities

				2021 \$	
	Amortized cost	Unrealized gains	Unrealized losses	Reclassification to assets held for sale	Fair value
FVTOCI securities					
Government	1,155,594	967	(4,154)	(1,152,407)	-
Corporate and chartered banks	289,258	6,239	(320)	(117,055)	178,122
Asset-backed	11,701	-	(68)	(11,633)	-
Securitized portfolio	93,068	1,427	-	(94,495)	-
	1,549,621	8,633	(4,542)	(1,375,590)	178,122
Designated FVTPL securities					
Government	1,456,648	6,209	(3,580)	-	1,459,277
Corporate and chartered banks	966,735	3,766	(5,621)	-	964,880
	2,423,383	9,975	(9,201)	-	2,424,157
FVTPL securities					
Corporate and chartered banks	136,434	4,563	(74)	(96,575)	44,348
	136,434	4,563	(74)	(96,575)	44,348
	4,109,438	23,171	(13,817)	(1,472,165)	2,646,627
2020 \$					
	Amortized cost	Unrealized gains	Unrealized losses		Fair value
FVTOCI securities					
Government	576,597	5,904	(109)		582,392
Corporate and chartered banks	368,560	10,739	(26)		379,273
Securitized portfolio	290,801	2,390	-		293,191
	1,235,958	19,033	(135)		1,254,856
Designated FVTPL securities					
Government	1,372,266	14,859	(333)		1,386,792
Corporate and chartered banks	942,612	16,105	(10)		958,707
	2,314,878	30,964	(343)		2,345,499
FVTPL securities					
Corporate and chartered banks	104,442	1,112	(649)		104,905
	104,442	1,112	(649)		104,905
	3,655,278	51,109	(1,127)		3,705,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

Swaps are contractual agreements to exchange a series of cash flows based on agreed upon rates to a notional amount. Interest rate swaps are used to manage exposure to interest rate risk by modifying the repricing or interest rate characteristics of assets and liabilities. Exposure is managed through the exchange of fixed and floating interest rate payments based on notional amounts.

Forward rate contracts are used to determine the rate of interest to be paid or received beginning at a future date. A forward rate agreement manages the risk of fluctuating market interest rates by locking in a current interest rate for a transaction that will take place in the future. Payment based on a notional amount is paid or received once at maturity.

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

Index-linked term deposits are contractual agreements between SaskCentral and participating credit unions, where credit union members' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Notional amounts / term to maturity and fair value of derivative instruments

	2021 \$					Fair value		
	Notional amount by term to maturity					Total	Asset	Liability
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years				
Asset / liability management								
Interest rate swaps	5,000	376	23,578	-	28,954	22	687	
Forward rate contracts	70,000	-	-	-	70,000	-	710	
Foreign exchange contracts	-	4,801	-	-	4,801	-	2	
	75,000	5,177	23,578	-	103,755	22	1,399	
Designated in fair value hedges								
Interest rate swaps	-	-	100,135	-	100,135	1,380	207	
	-	-	100,135	-	100,135	1,380	207	
Designated in cash flow hedges								
Forward rate contracts	38,196	-	-	-	38,196	67	-	
	38,196	-	-	-	38,196	67	-	
As intermediary								
Interest rate swaps	-	107,066	296,470	105,094	508,630	5,282	5,024	
Forward rate contracts	12,000	8,000	-	9,910	29,910	103	103	
Foreign exchange contracts	14,288	39,328	-	-	53,616	362	342	
Index-linked term deposits	8,718	14,435	27,157	-	50,310	8,655	8,655	
	35,006	168,829	323,627	115,004	642,466	14,402	14,124	
	148,202	174,006	447,340	115,004	844,552	15,871	15,730	
Reclassification to assets held for sale [note 30]						(7,216)	(7,075)	
						8,655	8,655	

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Notional amounts / term to maturity and fair value of derivative instruments (continued)

	2020				2020		
	\$				\$		
	Notional amount by term to maturity					Fair value	
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	Asset	Liability
Asset / liability management							
Interest rate swaps	15,000	15,000	36,597	-	66,597	73	2,564
	15,000	15,000	36,597	-	66,597	73	2,564
Designated in fair value hedges							
Interest rate swaps	-	-	10,000	-	10,000	401	15
	-	-	10,000	-	10,000	401	15
Designated in cash flow hedges							
Forward rate contracts	104,600	60,600	-	-	165,200	-	395
	104,600	60,600	-	-	165,200	-	395
As intermediary							
Interest rate swaps	71,757	314,389	427,514	96,032	909,692	13,471	13,262
Forward rate contracts	-	-	11,078	10,590	21,668	788	780
Foreign exchange contracts	19,847	20,713	-	-	40,560	1,144	1,134
Index-linked term deposits	9,159	9,767	39,589	-	58,515	6,855	6,855
	100,763	344,869	478,181	106,622	1,030,435	22,258	22,031
	220,363	420,469	524,778	106,622	1,272,232	22,732	25,005

Amounts expected to be recovered or settled

	2021		2020	
	\$		\$	
	Asset	Liability	Asset	Liability
Within 12 months	3,686	3,686	10,510	11,949
After 12 months	4,969	4,969	12,222	13,056
	8,655	8,655	22,732	25,005

SaskCentral is required to post collateral to derivative counterparties when the sum of the mark to market of the derivative financial instruments in favour of the counterparty exceeds the established threshold. SaskCentral has pledged securities with a fair value of \$4,200 (2020 - \$3,500) to support this obligation.

Counterparty risk

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 interest rate 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 interest rate 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.

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Counterparty risk (continued)

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, excluding index-linked term deposits. Positive replacement cost is derived from the fair value of derivative financial instruments. Potential credit risk exposure and risk-weighted equivalents are calculated in accordance with OSFI's guideline for *Capital Adequacy Requirements*. As described in note 2.2, on December 31, 2021 SaskCentral's investment in Concentra Bank was classified as assets held for sale and was accounted for in accordance with IFRS 5. As a result, the credit risk exposure for derivative financial transactions for 2021 related to Concentra Bank are not disclosed in this note.

	2020		
	\$		
	Interest rate contracts	Foreign exchange contracts	Total
Notional amounts	1,173,157	40,560	1,213,717
Positive replacement cost	14,732	1,144	15,876
Potential credit risk exposure	5,557	654	6,211
Credit equivalent amount	26,995	1,091	28,086
Risk-weighted equivalent	5,399	218	5,617

Results of hedge activities

SaskCentral uses forward rate agreements to hedge the variability in cash flows related to the issuance of obligations under the Canada Mortgage Bond (CMB) and National Housing Act Mortgage-Backed Securities (NHA MBS) programs. Interest spreads are exposed to potential changes in interest rates from the time the commitment is made to fund the residential mortgages through to the actual funding date of the residential mortgages and to the ultimate funding of the obligation under the CMB and NHA MBS programs. Thus, the forward rate agreement reduces the impact of interest rate changes on the interest spread between the residential mortgages to be securitized and the securitization liabilities. SaskCentral has designated this hedging relationship as a cash flow hedge and the realized gains and losses are reclassified from OCI to the consolidated statement of profit or loss over the period of the obligation under the securitization program.

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Results of hedge activities (continued)

SaskCentral is also exposed to interest rate risk through certain fixed rate deposits. To manage this risk SaskCentral enters into interest rate swaps which result in fair value changes of the hedging instruments offsetting, within a reasonable range, changes in the fair value of the fixed rate deposits resulting from changes in the interest rate environment. SaskCentral has designated this hedging relationship as a fair value hedge and the net difference between the fair value changes of the hedging instrument and the hedged risk component of fixed rate deposits is recorded as the ineffective portion of fair value hedges in gain on financial instruments in profit for the year from discontinued operations.

	2021	2020
	\$	\$
Cash flow hedges		
Effective portion - net gains (losses) recorded in OCI during the year	2,780	(7,121)
Reclassification of losses to profit or loss during the year	91	391
Fair value hedges		
Ineffective portion recorded in gain on financial instruments	97	(56)
Unrealized gains (losses) on derivatives related to hedged risk components	1,308	(362)

10. LOANS

	2021		
	\$		
	Gross carrying value	Allowance for credit losses	Total
Loans at amortized cost			
Residential mortgages ⁽¹⁾	5,324,564	(3,268)	5,321,296
Consumer loans	565,740	(9,057)	556,683
Credit card receivables	96,303	(2,151)	94,152
Commercial mortgages and loans (includes credit union loans)	741,022	(6,308)	734,714
Commercial leases	230,104	(1,646)	228,458
Loans at FVTOCI			
Residential mortgages	2,115,672	-	2,115,672
	9,073,405	(22,430)	9,051,975
Accrued interest			42,480
			9,093,455
Reclassification to assets held for sale [note 30]			(9,078,197)
			15,258

⁽¹⁾ Residential mortgages include \$435 of property held for resale.

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10. LOANS (continued)

	2020 \$		
	Gross carrying value	Allowance for credit losses	Total
Loans at amortized cost			
Residential mortgages ⁽¹⁾	6,646,663	(4,141)	6,642,522
Consumer loans	525,957	(8,481)	517,476
Commercial mortgages and loans (includes credit union loans)	712,885	(21,066)	691,819
Commercial leases	199,637	(1,060)	198,577
Loans at FVTOCI			
Residential mortgages	780,399	-	780,399
	8,865,541	(34,748)	8,830,793
Accrued interest			12,739
			8,843,532

⁽¹⁾ Residential mortgages include \$273 of property held for resale.

SaskCentral's loans are principally held for the purpose of collecting the contractual cash flows with the following exceptions:

For residential mortgages, SaskCentral holds two separately identifiable sub-portfolios within which it both sells and holds a significant portion of newly originated assets. As the business model for these portfolios are managed to generate cash flows through both sales and collection of the contractual cash flows, the loans are classified as at FVTOCI.

For commercial mortgages and loans, excluding credit union loans, SaskCentral's overall business model is such that it issues loan commitments with the intent of selling down a pre-determined amount prior to funding in order to meet the established credit risk policy limits. As a result, SaskCentral's credit risk policy creates a clear line of demarcation for each originated commercial asset resulting in the recognition of two distinct sub-portfolios:

- a sub-portfolio which contains the portion of loans SaskCentral intends to sell which are measured at FVTPL. As these sales occur prior to funding, SaskCentral does not recognize loans at FVTPL in its consolidated balance sheet. Instead, the portion of commitment designated for sale is measured at FVTPL up to the date of transfer [note 28]
- a sub-portfolio which contains the portion of loans SaskCentral intends to hold on-balance sheet which are measured at amortized cost.

The following tables provide information on the unrealized gains and losses for SaskCentral's loans measured at fair value.

	2021 \$				
	Amortized cost	Unrealized gains	Unrealized losses	Reclassification to assets held for sale	Fair value
Loans at FVTOCI					
Residential mortgages	2,120,641	3,340	(8,309)	(2,115,672)	-

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10. LOANS (continued)

2020 \$				
Loans at FVTOCI	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Residential mortgages	772,369	8,484	(454)	780,399

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

2021 \$						
	Effective rate	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans at amortized cost						
Residential mortgages	2.47%	762,382	832,641	3,763,208	1,582	5,359,813
Consumer loans	9.13%	4,039	29,232	295,667	235,229	564,167
Credit card receivables	21.12%	96,303	-	-	-	96,303
Commercial mortgages and loans (includes credit union loans)	4.13%	34,974	235,514	406,197	62,329	739,014
Commercial leases	5.17%	1,216	7,865	201,865	19,113	230,059
Loans at FVTOCI						
Residential mortgages	3.46%	239,174	874,037	969,621	1,217	2,084,049
		1,138,088	1,979,289	5,636,558	319,470	9,073,405
Accrued interest						42,480
Total gross carrying value						9,115,885

2020 \$						
	Effective rate	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans at amortized cost						
Residential mortgages	2.75%	370,092	1,608,330	4,664,778	3,463	6,646,663
Consumer loans	9.03%	1,772	27,206	298,336	198,643	525,957
Commercial mortgages and loans (includes credit union loans)	4.24%	79,816	189,234	430,876	12,959	712,885
Commercial leases	4.91%	1,089	12,811	159,658	26,079	199,637
Loans at FVTOCI						
Residential mortgages	4.67%	104,770	460,789	214,840	-	780,399
		557,539	2,298,370	5,768,488	241,144	8,865,541
Accrued interest						12,739
Total gross carrying value						8,878,280

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10. LOANS (continued)

The following table presents the gross amount of credit impaired loans (Stage 3) and the corresponding allowance for credit losses:

	2021 \$		
	Gross impaired loans	Allowance for credit losses	Net carrying value
Loans at amortized cost			
Residential mortgages	2,124	(746)	1,378
Consumer loans	623	(540)	83
Credit card receivables	1,244	(1,079)	165
Commercial mortgages and loans (includes credit union loans)	5,317	(1,225)	4,095
Commercial leases	3,182	(817)	2,365
Loans at FVTOCI			
Residential mortgages ⁽¹⁾	3,975	-	3,975
	16,465	(4,407)	12,058

⁽¹⁾ For credit impaired loans measured at FVOCI, no separate allowance for credit losses is recognized in the consolidated balance sheet as their carrying value will already reflect the ECLs. Instead, lifetime ECLs of \$567 have been reclassified from OCI to discontinued operations representing the loss allowance that would have otherwise been recognized had these instruments been measured at amortized cost.

	2020 \$		
	Gross impaired loans	Allowance for credit losses	Net carrying value
Loans at amortized cost			
Residential mortgages	2,276	(681)	1,595
Consumer loans	848	(736)	112
Commercial mortgages and loans (includes credit union loans)	34,195	(12,648)	21,547
Commercial leases	1,075	(333)	742
Loans at FVTOCI			
Residential mortgages ⁽¹⁾	2,532	-	2,532
	40,926	(14,398)	26,528

⁽¹⁾ For credit impaired loans measured at FVTOCI, no separate allowance for credit losses is recognized in the consolidated balance sheet as their carrying value will already reflect the ECLs. Instead, lifetime ECLs of \$372 have been reclassified from OCI to discontinued operations representing the loss allowance that would have otherwise been recognized had these instruments been measured at amortized.

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10. LOANS (continued)

Commercial leases

The carrying value of finance leases of certain commercial equipment where SaskCentral was the lessor includes the following:

	2021 \$	2020 \$
Minimum lease payments receivable:		
Not later than one year	9,415	14,135
Between one and five years	220,994	174,225
Later than five years	22,109	30,614
	252,518	218,974
Unearned finance income on commercial leases	(22,414)	(19,337)
Gross commercial leases receivable	230,104	199,637

11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES

The following table summarizes the net provision for credit losses and recoveries included in the consolidated statement of profit or loss:

	2021 \$	2020 \$
Debt instruments at amortized cost		
Residential mortgages	364	1,545
Consumer loans	1,717	4,212
Credit card receivables	2,401	-
Commercial mortgage and loans (includes credit union loans)	(6,369)	5,198
Commercial leases	1,169	(109)
	(718)	10,846
Debt instruments at FVTOCI		
Residential mortgages	1,012	11
Securities	(28)	279
	984	290
Gross provision for credit losses	266	11,136
Impact of financial guarantees	(1,963)	(2,234)
Reclassification to discontinued operations [note 30]	1,709	-
Net provision for credit losses	12	8,902

For the purpose of impairment assessment, the securities and certain commercial loans to credit unions above are considered to have low credit risk as the counterparties to these investments have an investment grade credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to a 12-month ECL. The credit risk on certain loans to credit unions is mitigated because of the *General Security Agreement* between SaskCentral and the credit unions. SaskCentral has not recognized a loss allowance for the credit union loans that are collateralized by the *General Security Agreement*.

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

The following table presents the changes to the allowance for credit losses for SaskCentral's loans:

	2021 \$			
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance, beginning of the year	3,772	1,246	1,053	6,071
Net provision for credit losses				
Re-measurement	(87)	670	1,357	1,940
Newly originated or purchased assets	1,943	-	-	1,943
Derecognized financial assets and maturities	(922)	(596)	(963)	(2,481)
Changes in models and methodologies	(21)	(5)	-	(26)
Transfer (from) to:				
Stage 1	(462)	459	3	-
Stage 2	1	(204)	203	-
Stage 3	-	75	(75)	-
Total net provision for credit losses	452	399	525	1,376
Write-offs	-	-	(277)	(277)
Recoveries	-	-	12	12
Total allowance for credit losses	4,224	1,645	1,313	7,182
Less: reserve for FVTOCI mortgages	(2,455)	(836)	(567)	(3,858)
Less: allowance for undrawn commitments	(56)	-	-	(56)
Reclassification to assets held for sale [note 30]	(1,713)	(809)	(746)	(3,268)
Balance, end of year	-	-	-	-
Consumer loans				
Balance, beginning of the year	6,480	1,433	736	8,649
Net provision for credit losses				
Re-measurement	67	908	2,192	3,167
Newly originated or purchased assets	3,599	-	-	3,599
Derecognized financial assets and maturities	(1,838)	(605)	(2,635)	(5,078)
Changes in models and methodologies	17	12	-	29
Transfer (from) to:				
Stage 1	(1,145)	757	388	-
Stage 2	-	(991)	991	-
Stage 3	-	36	(36)	-
Total net provision for credit losses	700	117	900	1,717
Write-offs	-	-	(2,494)	(2,494)
Recoveries	-	-	1,398	1,398
Total allowance for credit losses	7,180	1,550	540	9,270
Less: allowance for undrawn commitments	(211)	(2)	-	(213)
Reclassification to assets held for sale [note 30]	(6,969)	(1,548)	(540)	(9,057)
Balance, end of year	-	-	-	-

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2021 (continued)			
	\$			
	Stage 1	Stage 2	Stage 3	Total
Credit card receivables				
Balance, beginning of the year	-	-	-	-
Net provision for credit losses				
Re-measurement	501	12	1,389	1,902
Newly originated or purchased assets	725	-	-	725
Derecognized financial assets and maturities	(56)	(20)	(150)	(226)
Transfer (from) to:				
Stage 1	(279)	(227)	52	-
Stage 2	13	(37)	24	-
Stage 3	2	-	(2)	-
Total net provision for credit recoveries	906	182	1,313	2,401
Write-offs	-	-	(234)	(234)
Total allowance for credit losses	906	182	1,079	2,167
Less: allowance for undrawn commitments	(16)	-	-	(16)
Reclassification to assets held for sale [note 30]	(890)	(182)	(1,079)	(2,151)
Balance, end of year	-	-	-	-
Commercial mortgages and loans (including credit union loans)				
Balance, beginning of the year	1,653	7,395	12,648	21,696
Net provision for credit losses				
Re-measurement	(1,219)	1,008	(847)	(1,058)
Newly originated or purchased assets	703	-	-	703
Derecognized financial assets and maturities	(220)	(1,207)	(2,050)	(3,477)
Changes in models and methodologies	(538)	(2,000)	-	(2,538)
Transfer (from) to:				
Stage 1	(479)	479	-	-
Stage 2	384	(384)	-	-
Total net provision for credit recoveries	(1,369)	(2,104)	(2,897)	(6,370)
Write-offs	-	-	(8,643)	(8,643)
Recoveries	-	-	117	117
Total allowance for credit losses	284	5,291	1,225	6,800
Less: allowance for undrawn commitments	(130)	(362)	-	(492)
Reclassification to assets held for sale [note 30]	(133)	(4,929)	(1,225)	(6,287)
Balance, end of year	21	-	-	21

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2021 (continued)			
	\$			
	Stage 1	Stage 2	Stage 3	Total
Commercial leases				
Balance, beginning of the year	304	423	333	1,060
Net provision for credit losses				
Re-measurement	66	258	1,459	1,783
Newly originated or purchased assets	181	-	-	181
Derecognized financial assets and maturities	(34)	(214)	(528)	(776)
Changes in models and methodologies	(7)	(12)	-	(19)
Transfer (from) to:				
Stage 1	(110)	109	1	-
Stage 2	3	(140)	137	-
Stage 3	-	2	(2)	-
Total net provision for credit losses	99	3	1,067	1,169
Write-offs	-	-	(733)	(733)
Recoveries	-	-	150	150
Total allowance for credit losses	403	426	817	1,646
Reclassification to assets held for sale [note 30]	(403)	(426)	(817)	(1,646)
Balance, end of year	-	-	-	-
Total loans				
Balance, beginning of the year	12,209	10,497	14,770	37,476
Net provision for credit losses				
Re-measurement	(672)	2,856	5,550	7,734
Newly originated or purchased assets	7,151	-	-	7,151
Derecognized financial assets and maturities	(3,070)	(2,642)	(6,326)	(12,038)
Changes in models and methodologies	(549)	(2,005)	-	(2,554)
Transfer (from) to:				
Stage 1	(2,475)	2,031	444	-
Stage 2	401	(1,756)	1,355	-
Stage 3	2	113	(115)	-
Total net provision for credit losses (recoveries)	788	(1,403)	908	293
Write-offs	-	-	(12,381)	(12,381)
Recoveries	-	-	1,677	1,677
Total allowance for credit losses	12,997	9,094	4,974	27,065
Less: reserve for FVTOCI mortgages	(2,455)	(836)	(567)	(3,858)
Less: allowance for undrawn commitments	(413)	(364)	-	(777)
Reclassification to assets held for sale [note 30]	(10,108)	(7,894)	(4,407)	(22,409)
Balance, end of year	21	-	-	21

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2020 \$			
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance, beginning of the year	2,859	998	961	4,818
Net provision for credit losses				
Re-measurement	963	630	1,234	2,827
Newly originated or purchased assets	2,658	-	-	2,658
Derecognized financial assets and maturities	(1,926)	(817)	(999)	(3,742)
Changes in models and methodologies	106	(293)	-	(187)
Transfer (from) to:				
Stage 1	(888)	761	127	-
Stage 2	-	(91)	91	-
Stage 3	-	58	(58)	-
Total net provision for credit losses	913	248	395	1,556
Write-offs	-	-	(333)	(333)
Recoveries	-	-	30	30
Total allowance for credit losses	3,772	1,246	1,053	6,071
Less: reserve for FVTOCI mortgages	(942)	(529)	(372)	(1,843)
Less: allowance for undrawn commitments	(87)	-	-	(87)
Balance, end of year	2,743	717	681	4,141
Consumer loans				
Balance, beginning of the year	4,701	1,597	195	6,493
Net provision for credit losses				
Re-measurement	1,264	1,245	1,769	4,278
Newly originated or purchased assets	3,613	-	-	3,613
Derecognized financial assets and maturities	(1,539)	(1,736)	(644)	(3,919)
Changes in models and methodologies	156	84	-	240
Transfer (to) from:				
Stage 1	(1,715)	1,213	502	-
Stage 2	-	(970)	970	-
Total net provision for credit losses (recoveries)	1,779	(164)	2,597	4,212
Write-offs	-	-	(3,070)	(3,070)
Recoveries	-	-	1,014	1,014
Total allowance for credit losses	6,480	1,433	736	8,649
Less: allowance for undrawn commitments	(168)	-	-	(168)
Balance, end of year	6,312	1,433	736	8,481

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2020 (continued)			
	\$			
	Stage 1	Stage 2	Stage 3	Total
Commercial mortgages and loans (including credit union loans)				
Balance, beginning of the year	1,999	5,117	9,358	16,474
Net provision for credit losses				
Re-measurement	1,388	6,589	1,391	9,368
Newly originated or purchased assets	1,421	-	-	1,421
Derecognized financial assets and maturities	(400)	(5,255)	-	(5,655)
Changes in models and methodologies	(182)	247	-	65
Transfer (from) to:				
Stage 1	(4,454)	4,454	-	-
Stage 2	1,881	(3,755)	1,874	-
Stage 3	-	(2)	2	-
Total net provision for credit (recoveries) losses	(346)	2,278	3,267	5,199
Write-offs	-	-	(35)	(35)
Recoveries	-	-	58	58
Total allowance for credit losses	1,653	7,395	12,648	21,696
Less: allowance for undrawn commitments	(517)	(113)	-	(630)
Balance, end of year	1,136	7,282	12,648	21,066
Commercial leases				
Balance, beginning of the year	291	407	822	1,520
Net provision for credit losses				
Re-measurement	41	(46)	862	857
Newly originated or purchased assets	339	-	-	339
Derecognized financial assets and maturities	(81)	(142)	(1,012)	(1,235)
Changes in models and methodologies	(43)	(27)	-	(70)
Transfer (from) to:				
Stage 1	(247)	247	-	-
Stage 2	4	(16)	12	-
Total net provision for credit losses (recoveries)	13	16	(138)	(109)
Write-offs	-	-	(1,553)	(1,553)
Recoveries	-	-	1,202	1,202
Balance, end of year	304	423	333	1,060

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2020 (continued)			
	\$			
	Stage 1	Stage 2	Stage 3	Total
Total loans				
Balance, beginning of the year	9,850	8,119	11,336	29,305
Net provision for credit losses				
Re-measurement	3,656	8,418	5,256	17,330
Newly originated or purchased assets	8,031	-	-	8,031
Derecognized financial assets and maturities	(3,946)	(7,950)	(2,655)	(14,551)
Changes in models and methodologies	37	11	-	48
Transfer (from) to:				
Stage 1	(7,304)	6,675	629	-
Stage 2	1,885	(4,832)	2,947	-
Stage 3	-	56	(56)	-
Total net provision for credit losses	2,359	2,378	6,121	10,858
Write-offs	-	-	(4,991)	(4,991)
Recoveries	-	-	2,304	2,304
Total allowance for credit losses	12,209	10,497	14,770	37,476
Less: reserve for FVTOCI mortgages	(942)	(529)	(372)	(1,843)
Less: allowance for undrawn commitments	(772)	(113)	-	(885)
Balance, end of year	10,495	9,855	14,398	34,748

The following table summarizes the allowance for credit losses for each of the SaskCentral's loan portfolios and the changes to the allowance for credit losses for the SaskCentral's loans and undrawn commitments on a total portfolio basis:

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages	-	-	-	-	2,743	717	681	4,141
Consumer loans	-	-	-	-	6,312	1,433	736	8,481
Commercial mortgages and loans	21	-	-	21	1,136	7,282	12,648	21,066
Commercial leases	-	-	-	-	304	423	333	1,060
	21	-	-	21	10,495	9,855	14,398	34,748

There were no credit impaired (Stage 3) securities in either 2021 or 2020.

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12. TRANSFERS OF FINANCIAL ASSETS

Financial asset transfers not qualifying for derecognition

(a) Securities sale and repurchase agreements

SaskCentral enters into transactions where it sells a security and simultaneously enters into an agreement to repurchase the security at the original sales price plus a small lending premium. The repurchase agreement results in SaskCentral continuing to be exposed to the risks and rewards of the asset post-transfer and therefore it continues to be recognized within securities on the consolidated balance sheet (see note 8). A corresponding liability equal to the sales proceeds received is then recognized within loans and notes payable (see note 19).

(b) Asset securitizations

SaskCentral periodically securitizes groups of assets by selling them to independent structured entities. As part of these transactions, SaskCentral generally retains an interest in the securitized assets, such as servicing rights and various forms of recourse including rights to excess spreads and cash reserves. When substantially all the risks and rewards of ownership of the assets have not been transferred during a securitization transaction, the transaction is not accounted for as a sale and the assets remain on the consolidated balance sheet of SaskCentral. At the time of the transaction, the securitized borrowings are recognized as securitization liabilities on the consolidated balance sheet. The following paragraphs provide an overview of SaskCentral's major on-balance sheet securitization programs.

National Housing Act Mortgage-Backed Securities and Canada Mortgage Bond Programs

SaskCentral participates in the CMHC-sponsored NHA MBS program where SaskCentral assigns all legal rights, interest and title in certain insured residential mortgages to CMHC in exchange for NHA MBS certificates. As SaskCentral continues to be exposed to substantially all of the risks and rewards of ownership of the original mortgages, SaskCentral has determined that the assignment of the mortgages does not constitute a transfer. Therefore, SaskCentral continues to recognize the assets as loans within residential mortgages on the consolidated balance sheet.

Subsequently, SaskCentral may sell its NHA MBS certificates to third parties or under the CMB program to Canada Housing Trust (CHT), a CMHC sponsored trust. The securitized mortgages are subject to prepayment, in full or in part, and thus the future cash flows related to the transferred assets are uncertain including the amount of prepayment penalties paid by the borrower. SaskCentral remains exposed to this variability through the difference between the return on the insured residential mortgages and the interest and indemnities paid on the related NHA MBS certificates (retained interest). As a result, the sale of the NHA MBS certificates does not transfer substantially all of the risks and rewards of ownership and the underlying mortgages continue to be recognized in the consolidated balance sheet with matching securitization liabilities being established based on the proceeds received on the date of the transfer.

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12. TRANSFERS OF FINANCIAL ASSETS (continued)

Financial asset transfers not qualifying for derecognition (continued)

(b) Asset securitizations (continued)

National Housing Act Mortgage-Backed Securities and Canada Mortgage Bond Programs (continued)

As part of a CMB transaction, SaskCentral may enter into a total return swap with highly rated counterparties, exchanging the cash flows of the CMB for those of the NHA MBS certificates transferred to CHT. Any excess or shortfall in these cash flows is absorbed by SaskCentral. The total return swaps are not recognized at fair value in SaskCentral's consolidated balance sheet as the risks and rewards of these derivatives are captured through the continued recognition of the mortgages and the associated securitization liabilities. Accordingly, the total return swaps are recognized on an accrual basis and are not fair valued through the consolidated statement of profit or loss.

Securitization obligations under the CMB program where SaskCentral has entered into a total return swap are non-amortizing liabilities with fixed maturity dates. Principal payments collected from the mortgages underlying the securitized NHA MBS certificates are transferred to CHT on a monthly basis where they are held and invested in eligible securities until the maturity of the CMB. To the extent that these eligible securities are not SaskCentral's own issued NHA MBS certificates, the investments are recognized on SaskCentral's consolidated balance sheet within securities.

In the case of NHA MBS certificates sold to third parties including sales to CHT under the CMB program where SaskCentral has not entered into a total return swap, as scheduled and unscheduled payments are received the cash flows are ultimately transferred to the holders of the NHA MBS certificates and the securitization liabilities are reduced accordingly.

Multi-seller conduit

SaskCentral sells non-insured residential mortgage loans to an intermediate multi-seller structured entity established for the limited purpose of securitization activities. The intermediate multi-seller structured entity funds such purchases through the issuance of interest bearing notes. Although SaskCentral has transferred all legal right, title and interest in the mortgages to the structured entity, SaskCentral also provides a limited financial guarantee in the form of a cash reserve. Through this credit enhancement, SaskCentral retains substantially all of the risks and rewards of the transferred assets and consequently the mortgage loans do not qualify for derecognition. The structured entity has no recourse to the other assets of SaskCentral in the event of failure of debtors to pay when due. The proceeds received from the sale of the mortgage loans are recorded as a securitization liability on the consolidated balance sheet.

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12. TRANSFERS OF FINANCIAL ASSETS (continued)

Financial asset transfers not qualifying for derecognition (continued)

Securitized assets not qualifying for derecognition and associated securitization liabilities

The following table presents the carrying value and fair value of the financial assets transferred by SaskCentral under these programs that have not been derecognized and the related securitization obligations recognized on the consolidated balance sheet.

	2021		2020	
	\$		\$	
	Carrying value	Fair value	Carrying value	Fair value
Securitized assets				
Cash reserve related to Multi-Seller Conduit	3,491	3,491	3,491	3,491
Securities - securitized portfolio	94,568	94,568	293,497	293,497
Residential mortgages - securitized	3,773,020	3,767,942	4,409,288	4,494,674
Reclassification to assets held for sale [note 30]	(3,871,079)	(3,866,001)	-	-
	-	-	4,706,276	4,791,662
Securitization liabilities				
Securitization obligations under the CMB program ⁽¹⁾	297,133	297,372	997,509	1,009,317
Securitization obligations under the NHA MBS program ⁽²⁾	3,121,098	3,094,684	2,856,661	2,896,723
Securitization obligations to multi-seller conduit ⁽³⁾	21,478	21,418	63,409	64,177
Reclassification to liabilities associated with assets held for sale [note 30]	(3,439,709)	(3,413,474)	-	-
	-	-	3,917,579	3,970,217
Net position	-	-	788,697	821,445

⁽¹⁾ Securitization obligations under the CMB program have a weighted average interest rate of 1.87% (2020 - 1.45%) and include only those CMB securitizations subject to a total return swap.

⁽²⁾ Securitization obligations under the NHA MBS program have a weighted average interest rate of 1.12% (2020 - 1.33%) and include CMB securitizations which are not subject to a total return swap.

⁽³⁾ The interest rate related to the securitization obligations to multi-seller conduits corresponds to the rate of the asset-backed commercial paper issued by the conduit, plus related program fees.

SaskCentral also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2021, residential mortgages of \$454,115 (2020 - \$813,439) with a fair value of \$450,214 (2020 - \$819,222) were assigned to NHA MBS certificates and retained by SaskCentral. These unsold NHA MBS certificates are included in loans on the consolidated balance sheet and then transferred to assets held for sale per note 2.5.

Derecognized financial asset transfers

(a) Loan sales and syndications

SaskCentral sells co-ownership interests from selected portfolios of on-balance sheet loans and syndicates certain commercial loan commitments while retaining servicing rights. The investors have no recourse against SaskCentral for any credit or fair value losses on the transferred assets which results in substantially all of the risks and rewards being transferred. SaskCentral has therefore removed the transferred assets from its consolidated balance sheet.

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12. TRANSFERS OF FINANCIAL ASSETS (continued)

Derecognized financial asset transfers (continued)

(a) Loan sales and syndications (continued)

Under the servicing arrangements, SaskCentral collects the cash flows of the transferred assets on behalf of the credit union investors in return for a fee that is expected to compensate SaskCentral adequately for servicing the related assets. Consequently, SaskCentral accounts for the servicing arrangements as executory contracts and has not recognized a servicing asset or liability in the consolidated balance sheet. The servicing fees are based on a fixed percentage of the remaining principal balance of the transferred assets, net of direct servicing costs incurred, and are included within profit for the year from discontinued operations in the consolidated statement of profit or loss.

The following table provides quantitative information about the derecognized loan sales/syndications and SaskCentral's continuing involvement during the year.

	2021 \$		
	Consumer loans and residential mortgages	Commercial mortgages and loans	Total mortgages and loans
Sales/syndication activity			
Notional amount of undrawn commitments syndicated during the year	-	203,375	203,375
Carrying value of loans sold and derecognized during the year	58,200	2,064	60,264
Gain on loans sold and derecognized during the year	236	35	271
Continuing involvement			
Outstanding principal balance of derecognized loans subject to servicing arrangements at year end	59,001	793,211	852,212
Cumulative income earned on derecognized loans during the year ⁽¹⁾	117	1,509	1,626

⁽¹⁾ Consists of net servicing fees included in profit for the year from discontinued operations on the consolidated statement of profit or loss.

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12. TRANSFERS OF FINANCIAL ASSETS (continued)

Derecognized financial asset transfers (continued)

(a) Loan sales and syndications (continued)

	2020 \$		
	Consumer loans and residential mortgages	Commercial mortgages and loans	Total mortgages and loans
Sales/syndication activity			
Notional amount of undrawn commitments syndicated during the year	-	211,375	211,375
Carrying value of loans sold and derecognized during the year	124,634	61,992	186,626
Gain on loans sold and derecognized during the year	1,479	1,471	2,950
Continuing involvement			
Outstanding principal balance of derecognized loans subject to servicing arrangements at year end	18,023	812,987	831,010
Cumulative income earned on derecognized loans during the year ⁽¹⁾	374	1,186	1,560

⁽²⁾ Consists of net servicing fees included in profit for the year from discontinued operations on the consolidated statement of profit or loss.

(b) Asset securitizations

Certain NHA MBS/CMB securitization transactions undertaken by SaskCentral qualify for derecognition when one of the following conditions are met:

- SaskCentral subsequently enters into an agreement to transfer its right to the excess spread to a third party;
- SaskCentral simultaneously enters into a derivative contract which transfers the residual prepayment risk of the mortgages to a third party; or
- The terms and conditions of the transferred assets are such that they are substantively risk free and SaskCentral has transferred control of these assets.

When SaskCentral has transferred its right to the excess spread, its continuing involvement is limited to servicing the transferred mortgages for which it receives a fixed monthly fee. The fixed fee provides adequate compensation for the cost of servicing and as such, no servicing asset or liability is recognized. When a portion of the transfer price is payable in installments, a long-term interest bearing receivable is recognized in other securitization assets in the consolidated balance sheet.

For all other derecognized securitizations, SaskCentral's continuing involvement consists of a retained interest asset representing its right to the excess spread and a servicing liability for the future cost of servicing the transferred assets.

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12. TRANSFERS OF FINANCIAL ASSETS (continued)

Derecognized financial asset transfers (continued)

(b) Asset securitizations (continued)

The following table provides quantitative information about these derecognized securitization activities and SaskCentral's continuing involvement during the year.

	2021	2020
	\$	\$
Securitization activity		
Carrying value of underlying mortgages derecognized in year	247,451	647,990
Gain on sale of mortgages during the year	1,438	5,838
Continuing involvement		
Carrying value of retained interests	84,863	93,162
Reclassification to assets held for sale [note 30]	(84,863)	-
Total other securitization assets	-	93,162
Carrying value of servicing liabilities [note 20]	14,495	15,864
Reclassification to liabilities associated with assets held for sale [note 30]	(14,495)	-
Adjusted carrying value of servicing liabilities	-	15,864
Outstanding principal balance of derecognized mortgages at year end	2,948,946	2,806,983
Cumulative income earned on derecognized mortgages during the year	1,788	1,264

The following table provides the expected undiscounted cash flows payable to the MBS holders on SaskCentral's securitization activities and transfers that are derecognized in their entirety:

	\$
2022	73,287
2023	112,465
2024	275,813
2025	393,676
2026	481,137
Thereafter	1,612,568
	2,948,946

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13. INVESTMENTS IN ASSOCIATES

Celero Solutions

At December 31, 2021, SaskCentral has a 33.33% (2020 - 33.33%) interest in Celero Solutions, an arrangement between SaskCentral, Alberta Central and Credit Union Central of Manitoba 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.

CUC Wealth

At December 31, 2021 SaskCentral has a 10.92% (2020 - 10.92%) interest in CUC Wealth, which was created to hold SaskCentral, Atlantic Central, Central 1, Credit Union Central of Manitoba, Alberta Central and the Co-operators investment share in Aviso. CUC Wealth's principal place of business is Winnipeg, Manitoba.

SEF JV

At December 31, 2021, SaskCentral has a nil (2020 - nil) 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. On June 30, 2020, SEF JV was dissolved. As part of the dissolution, a final payment of \$170 was issued to SaskCentral, which resulted in \$nil gain or loss. SEF JV's principal place of business is Regina, Saskatchewan.

Effective December 15, 2020, CUVentures LP and CUVentures Inc. have been dissolved. Prior to dissolution of CUVentures LP and CUVentures Inc., SaskCentral owned SEF JV through its 100% ownership of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral had control over CUVentures LP. CUVentures LP's principal place of business was Regina, Saskatchewan

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

	2021					
	\$					
	Assets	Liabilities	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income (loss)
Celero Solutions	61,605	44,452	70,650	6,302	-	6,302
CUC Wealth	145,988	17,627	26,506	21,197	(1,398)	19,799
	207,593	62,079	97,156	27,499	(1,398)	26,101

	2020					
	\$					
	Assets	Liabilities	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income (loss)
Celero Solutions	56,785	38,980	59,929	1,214	-	1,214
CUC Wealth	135,385	11,795	22,106	20,870	954	21,824
PPJV	56,928	67,434	30,420	(10,506)	-	(10,506)
SEF JV	435	61	2	(15)	-	(15)
	249,533	118,270	112,457	11,563	954	12,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. INVESTMENTS IN ASSOCIATES (continued)

A reconciliation of Celero Solutions, CUC Wealth, and SEF JV's financial information to the carrying amount of SaskCentral's interest in associates recognized in the consolidated financial statements is provided below.

	2021 \$	
	Celero Solutions	CUC Wealth
Net assets of the associate	17,153	128,361
Proportion of SaskCentral's ownership interest	33.3%	10.92%
	5,718	14,017
Fair value differential upon acquisition	-	19,386
Amortization of fair value differential	-	(1,982)
Other adjustments	97	55
Carrying amount of SaskCentral's interest in associates	5,815	31,476

	2020 \$			
	Celero Solutions	CUC Wealth	PPJV	SEF JV
Net assets of the associate	17,805	123,590	(10,506)	374
Proportion of SaskCentral's ownership interest	33.3%	10.92%	33.33%	45.45%
	5,935	13,496	(3,502)	170
Fair value differential upon acquisition	-	19,386	-	-
Amortization of fair value differential	-	(1,453)	-	-
Other adjustments	(50)	-	213	(170)
Carrying amount of SaskCentral's interest in associates	5,885	31,429	(3,289)	-

SaskCentral received the following distributions from its investments in associates:

	2021 \$	2020 \$
Celero Solutions	2,243	1,307
CUC Wealth	125	83
SEF JV	-	170
	2,368	1,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

	2021				
	\$				
	Land	Building	Furniture and equipment	Right of use asset	Total
Cost					
Balance as at January 1	1,376	34,347	3,139	5,165	44,027
Additions	-	2,382	426	913	3,721
Disposals	-	(585)	(286)	-	(871)
Reclassification to assets held for sale [note 30]	(517)	(21,178)	(950)	(5,658)	(28,303)
Ending balance as at December 31	859	14,966	2,329	420	18,574
Accumulated depreciation					
Balance as at January 1	-	12,269	2,556	1,184	16,009
Depreciation charges	-	3,921	270	32	4,223
Disposals	-	(292)	(192)	(392)	(876)
Reclassification to assets held for sale [note 30]	-	(6,533)	(804)	(792)	(8,129)
Ending balance as at December 31	-	9,365	1,830	32	11,227
Carrying value as at December 31	859	5,601	499	388	7,347
	2020				
	\$				
	Land	Building	Furniture and equipment	Right of use asset	Total
Cost					
Balance as at January 1	1,376	34,538	4,757	655	41,326
Additions	-	236	124	4,510	4,870
Disposals	-	(427)	(1,742)	-	(2,169)
Ending balance as at December 31	1,376	34,347	3,139	5,165	44,027
Accumulated depreciation					
Balance as at January 1	-	11,562	3,924	201	15,687
Depreciation charges	-	1,134	294	983	2,411
Disposals	-	(427)	(1,662)	-	(2,089)
Ending balance as at December 31	-	12,269	2,556	1,184	16,009
Carrying value as at December 31	1,376	22,078	583	3,981	28,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTY

Investment property consists of the portion of the office building not occupied by SaskCentral. SaskCentral uses the cost model to account for its investment properties.

Details of SaskCentral's investment property are as follows:

	2021	2020
	\$	\$
Cost		
Balance as at January 1	8,224	8,370
Additions	746	-
Disposals	-	(146)
Ending balance as at December 31	8,970	8,224
Accumulated depreciation		
Balance as at January 1	2,215	2,080
Depreciation charges	151	135
Ending balance as at December 31	2,366	2,215
Carrying value as at December 31	6,604	6,009

Regina commercial office building

The fair value of SaskCentral's Regina investment property at December 31, 2021 is \$13,958 (2020 - \$15,375). The fair value of the Regina investment property has been arrived at on the basis of an external valuation completed by Colliers.

The 2021 fair value was determined using the discounted cash flow method. The discounted cash flow method determines the value of an investment based on its future cash flows. The present value of expected cash flow is calculated using a discount rate. The estimate of fair value was performed using a 10-year projected cash flow.

A summary of inputs (Level 3) used to calculate fair value of investment property in 2021 is provided below:

Discounted cash flow approach	2021
Inflation rate	2.50%
Vacancy rate	7%
Discount rate	8%

In 2020, 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.

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15. INVESTMENT PROPERTY (continued)

A summary of inputs (Level 3) used to calculate fair value of the Regina investment property in 2020 is provided below:

Income approach	2020
Rent per square foot (in actual Canadian dollars)	\$10 - 16
Parking rate per month (in actual Canadian dollars)	\$208.00
Vacancy rate	15.37%
Capitalization rate	7.5%

In 2021, the investment property generated rental income of \$1,285 (2020 - \$1,392). Direct operating expenses recognized in the consolidated statement of profit or loss were \$637 (2020 - \$1,093).

16. INTANGIBLE ASSETS

	2021		
	\$		
	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	8,686	2,768	11,454
Additions	4,308	26,950	31,258
Disposals	(1,754)	(4,485)	(6,239)
Reclassification to assets held for sale [note 30]	(9,397)	(2,716)	(12,113)
Ending balance as at December 31	1,843	22,517	24,360
Accumulated amortization			
Balance as at January 1	4,959	64	5,023
Amortization charges	1,180	2,895	4,075
Disposals	(1,401)	-	(1,401)
Reclassification to assets held for sale [note 30]	(3,781)	(276)	(4,057)
Ending balance as at December 31	957	2,683	3,640
Carrying value as at December 31	886	19,834	20,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. INTANGIBLE ASSETS (continued)

	2020		
	\$		
	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	7,891	2,558	10,449
Additions	2,054	4,553	6,607
Disposals	(1,259)	(4,343)	(5,602)
Ending balance as at December 31	8,686	2,768	11,454
Accumulated amortization			
Balance as at January 1	5,227	-	5,227
Amortization charges	968	64	1,032
Disposals	(1,236)	-	(1,236)
Ending balance as at December 31	4,959	64	5,023
Carrying value as at December 31	3,727	2,704	6,431

17. INCOME TAXES

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

	2021	2020
	\$	\$
Deferred income tax recovery on continuing operations		
Origination and reversal of temporary differences	(3,873)	(1,410)
	(3,873)	(1,410)
Current income tax expense on discontinued operations [note 30]		
Current tax on income for current year	13,856	5,389
Current tax from adjustments for prior years	(115)	(66)
	13,741	5,323
Deferred income tax expense on discontinued operations [note 30]		
Origination and reversal of temporary differences	15,508	3,151
Deferred tax from adjustments for prior years	55	(14)
Impact of tax rate changes	1	5
	15,564	3,142
	25,432	7,055

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17. INCOME TAXES (continued)

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

	2021	2020
	\$	\$
Deferred income tax expense (recovery) on continuing operations		
Net unrealized (losses) gains on FVTOCI securities	(576)	796
Reclassification of gains on FVTOCI securities to profit or loss	(3)	(4)
Own credit risk reserve	1,131	(862)
	552	(70)
Current income tax (recovery) expense on discontinued operations	(5,603)	3,803
	(5,051)	3,733

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 profit and loss.

Total income tax reported in the consolidated financial statements:

	2021	2020
	\$	\$
Income tax expense	20,381	10,788

Reconciliation of income tax recovery from continuing operations:

	2021	2020
	\$	\$
Combined federal and provincial income tax rate applied to (losses) income from continuing operations (2021 - 27%; 2020 - 27%)	(3,356)	1,813
Income tax (recovery) expense adjusted for the effect of:		
Non-taxable dividend income	(77)	(89)
Expenses not deductible for tax purposes	12	21
Adjustments related to prior periods	-	(61)
Reduction in income tax due to payment of dividends	(606)	(2,709)
Amounts taxed at other than general income tax rate	(69)	(132)
Other	223	(253)
Income tax recovery on continuing operations	(3,873)	(1,410)

The income tax recovery on continuing operations excludes the tax expense from the discontinued operations of \$13,969 (2020 - \$8,465). This has been included in 'profit from discontinued operations, net of tax' in the consolidated statement of profit or loss (see note 30). During 2021, SaskCentral determined that it was probable that the temporary differences relating to Concentra Bank will reverse in the foreseeable future. Therefore, the deferred income tax liability from discontinued operations reflects temporary differences related to Concentra Bank.

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17. INCOME TAXES (continued)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 19% (2020 - 21%) for SaskCentral and 27% (2020 - 27%) for Concentra Bank. The movement in deferred income tax asset (liability) is as follows:

	2021	2020
	\$	\$
Balance, beginning of year	8,205	9,867
Recognized in profit or loss	3,873	(1,732)
Recognized in OCI:		
FVTOCI securities:		
Fair value measurement	576	(796)
Transfer to profit or loss	3	4
Own credit risk reserve	(1,131)	862
Reclassification to assets held for sale, net of liabilities	582	-
Balance, end of year	12,108	8,205

The components of deferred income taxes are as follows:

	2021	2020
	\$	\$
Deferred income tax assets		
Non capital loss carryforward	18,625	14,701
Loans	13,257	15,226
Deposits	-	248
Accounts payable and deferred revenue	103	111
Losses not yet deductible for tax purposes	56	71
Other	725	616
Reclassification to assets held for sale [note 30]	(13,972)	-
	18,794	30,973
Deferred income tax liabilities		
Securities	(5,875)	(5,388)
Investments in subsidiaries	(13,969)	-
Securitization liabilities	(13,241)	(14,260)
Property, plant and equipment	(2,249)	(2,445)
Other	(1,466)	(675)
Reclassification to liabilities associated with assets held for sale [note 30]	30,114	-
	(6,686)	(22,768)
Net deferred income tax asset	12,108	8,205

Net deferred income taxes are anticipated to be realized as follows:

	2021	2020
	\$	\$
Net deferred income taxes recoverable (payable):		
Within 12 months	13,969	12,747
After more than 12 months	(1,861)	(4,542)
Net deferred income tax asset	12,108	8,205

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17. INCOME TAXES (continued)

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 \$68,986 (2020 - \$54,446) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the years 2030 (\$7,237), 2032 (\$1,447), 2037 (\$17,958), 2038 (\$18,007) and 2040 (\$9,843) and 2041 (\$14,494). The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

18. 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 (mandatory liquidity). Credit unions utilize Concentra Bank deposits for their excess liquidity.

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

	2021						Total
	\$						
	Effective rate ⁽¹⁾	On demand	Within 3 months	Term to maturity		No fixed maturity	
Over 3 months to 1 year				Over 1 year to 5 years			
Amortized cost							
Capital market deposits	1.24%	-	199,505	-	249,974	-	449,479
Commercial deposits	0.81%	222,249	15,873	240,294	192,537	-	670,953
Consumer deposits	0.82%	701,735	380,446	839,092	1,112,545	-	3,033,818
Personal deposits	1.95%	280,306	152,448	926,914	1,334,708	-	2,694,376
		1,204,290	748,272	2,006,300	2,889,764	-	6,848,626
Designated at FVTPL							
Provincial liquidity program ⁽²⁾	1.04%	-	287,704	306,630	927,589	885,366	2,407,289
		1,204,290	1,035,976	2,312,930	3,817,353	885,366	9,255,915
Accrued interest							32,996
							9,288,911
Reclassification to liabilities associated with assets held for sale [note 30]							(6,695,642)
							2,593,269

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

⁽²⁾ the amortized cost of deposits designated at FVTPL at December 31, 2021 is equal to \$2,408,968 resulting in cumulative unrealized gains on these deposits of \$1,679.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. DEPOSITS (continued)

2020								\$
	Effective rate ⁽¹⁾	On demand	Within 3 months	Term to maturity			No fixed maturity	Total
				Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years		
Amortized cost								
Capital market deposits	0.96%	-	-	-	199,719	-	-	199,719
Commercial deposits	0.92%	192,600	1,124	113,623	75,443	-	-	382,790
Consumer deposits	0.76%	819,706	490,320	803,062	938,959	-	-	3,052,047
Personal deposits	2.22%	139,692	231,321	1,030,688	1,425,073	-	-	2,826,774
		1,151,998	722,765	1,947,373	2,639,194	-	-	6,461,330
Designated at FVTPL								
Provincial liquidity program ⁽²⁾	1.17%	-	100,009	299,567	980,788	1,754	959,068	2,341,186
		1,151,998	822,774	2,246,940	3,619,982	1,754	959,068	8,802,516
Accrued interest								42,639
								8,845,155

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

⁽²⁾ the amortized cost of deposits designated at FVTPL at December 31, 2020 is equal to \$2,313,806 resulting in cumulative unrealized losses on these deposits of \$27,380.

19. LOANS AND NOTES PAYABLE

Repurchase 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. There is no outstanding balance at the 2021 year-end. Prior year repurchase agreements matured within one month and had a weighted average effective interest rate of 0.29%

Lines of credit

SaskCentral has a credit facility with Central 1 for \$100,000 (2020 - \$100,000) for which SaskCentral has pledged securities with the Bank of Canada to support the group clearing agreement (note 28). The balance of the credit facility is unsecured, ranking equally with the deposit obligations of SaskCentral.

In addition, SaskCentral has a secured credit facility with Canadian Imperial Bank of Commerce for \$40,000 (2020 - \$40,000) where SaskCentral is required to maintain a borrowing base comprised of fixed income collateral. This line of credit bears interest at banker's acceptance rate plus 0.45% (2020 - banker's acceptance rate plus 0.45%).

SaskCentral also had a secured credit facility with a major Schedule 1 Canadian bank for \$400,000 (2020 - \$400,000). The facility had interest at banker's acceptance rate plus 0.65% (2020 - banker's acceptance rate plus 0.65%) and was secured by insured residential mortgages or other qualified securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. LOANS AND NOTES PAYABLE

Notes payable

SaskCentral is authorized to issue a maximum of \$800,000 (2020 - \$800,000) under a commercial paper and the Bearer Deposit Note (BDN) program. Outstanding notes payable matures within one month (2020 - twelve months). The weighted average effective interest rate of these items is 0.57% (2020 - 0.76%).

Secured funding facilities

SaskCentral has access to a liquidity facility offered by the Bank of Canada, namely the Standing Term Liquidity Facility (STLF). SaskCentral also has access to the Emergency Lending Assistance facility. SaskCentral had no outstanding balance (2020 - \$nil) on these facilities. The facilities are secured by portfolios of non-mortgage loans, qualifying securities or deposits.

	Loans and notes payable		Collateral			
			Securities pledged			
	2021	2020	Fair value	2020	Carrying value	2020
	\$	\$	\$	\$	\$	\$
Repurchase payable	-	10,017	-	10,009	-	10,000
Lines of credit	-	265	536,315	182,779	532,558	175,404
Notes payable	194,257	244,476	-	-	-	-
	194,257	254,758	536,315	192,788	532,558	185,404
Reclassification to liabilities associated with assets held for sale [note 30]	(164,259)	-	(310,680)	-	(309,639)	-
	29,998	254,758	225,635	192,788	223,319	185,404

20. OTHER LIABILITIES

	2021	2020
	\$	\$
Servicing liabilities [note 12]	14,945	15,864
Deferred revenue	97	121
Allowance for undrawn commitments [note 11]	777	885
Lease liabilities	5,096	3,987
	20,915	20,857
Reclassification to liabilities associated with assets held for sale [note 30]	(20,608)	-
	307	20,857

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21. SHARE CAPITAL

Under the Act, SaskCentral is authorized to issue an unlimited number of membership shares. Also, under the Act, SaskCentral may, by bylaw, establish one or more classes of membership. SaskCentral is authorized to issue the following classes of membership shares:

- An unlimited number of Class A membership shares
- An unlimited number of Class B membership shares
- An unlimited number of investment shares

Each member of SaskCentral must own at least one Class A or Class B membership share.

SaskCentral's bylaws require that credit unions maintain either Class A or Class B membership share capital in SaskCentral at a minimum of 0.60% and a maximum of 1% of their previous year's assets.

Class A membership shares

The Class A membership shares entitle the holders to vote. Voting privileges are restricted to one vote per member, regardless of the number of Class A membership shares held by a member except in circumstances where a representative vote is requested, in which case voting is conducted on a representative basis using a formula calculated by the Board. The Class A shares also provide the right to receive dividends declared on the Class A membership shares. The holders of the Class A membership shares are Saskatchewan credit unions and certain co-operative associations.

Class A 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, Class A membership shares are to be issued and redeemed at \$10 per share. Upon liquidation or dissolution of SaskCentral, the Class A membership shareholders will be entitled to receive \$10 per share prior to the holders of the Class B membership shares. Following the distribution of the \$10 per share to both Class A and B members, the Class A shareholders are entitled to share equally, on a share by share basis, with the Class B membership shares in the remaining assets of SaskCentral.

At December 31, 2021, 17,526,177 Class A membership shares (2020 - membership shares of 16,868,995) were issued and outstanding. Membership shares issued during the year were exchanged for cash.

Class B membership shares

The Class B membership shares provide the right to vote, with similar voting privileges as Class A membership shares, and the right to receive dividends declared on the Class B membership shares. Class B membership shares may be redeemed only with the approval of the Board subject to the limits provided in the Act. In accordance with the bylaws of SaskCentral, Class B membership shares are to be issued and redeemed at \$10 per share. Upon liquidation or dissolution of SaskCentral, the Class B membership shareholders will be entitled to receive \$10 per share following the payment of \$10 per share to the holders of the Class A membership shares. Following the distribution of the \$10 per share to both Class A and B members, the Class B shareholders are entitled to share equally, on a share by share basis, with the Class A membership shares in the remaining assets of SaskCentral.

There are currently no series of Class B membership shares approved for issuance.

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21. SHARE CAPITAL (continued)

Investment shares

The investment shares entitle the holder to receive non-cumulative cash dividends as and when declared by the Board. The holders of investment shares will not be entitled to attend any meeting of members of SaskCentral and will not be entitled to vote at any such meeting. Upon liquidation, dissolution or wind-up, the holders of the investment shares will be entitled to receive, before any amount shall be paid or any assets shall be distributed to the holders of any other shares of any other class, an amount equal to a redemption amount. The redemption amount for each investment share is equal to the aggregate consideration determined upon issuance of the shares. After payment of the redemption amount, the holders of investment shares will not be entitled to share in any further distribution of assets of SaskCentral.

There are currently no series of investment shares approved for issuance.

22. DIVIDENDS

In 2021, dividends of \$5,064 (2020 - \$14,542) were declared, as approved by the Board. Of the amount recognized in 2021, on December 14, 2021, the Board approved payment of a dividend of \$564 to be paid to credit unions on January 21, 2022.

23. NET INTEREST INCOME

	2021	2020
	\$	\$
Interest income		
Financial assets measured at amortized cost	827	686
Financial assets measured at FVTOCI	2,387	4,087
Financial assets measured at FVTPL	2,000	1,326
Financial assets designated at FVTPL	25,643	34,714
	30,857	40,813
Interest expense		
Financial liabilities measured at amortized cost	132	534
Financial liabilities designated at FVTPL	25,102	34,216
	25,234	34,750
Net interest income	5,623	6,063

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24. ASSESSMENT REVENUE AND FEE FOR SERVICE REVENUE

Disaggregation of revenue

In the following table, revenue is disaggregated by timing of revenue recognition and major revenue sources.

	2021 \$	2020 \$
Assessment revenue		
<i>Services transferred over time</i>		
Liquidity management assessment	5,123	4,432
Dues and other assessment revenue	-	462
	5,123	4,894
Fee for service revenue		
<i>Services transferred at a point in time</i>		
Deposit and lending education	369	257
Payment Processing Fees	11,782	-
	12,151	257
<i>Services transferred over time</i>		
Consulting	4,368	4,660
Management oversight	1,248	2,059
Payment Processing Fees	660	-
Other revenue		
Tenant revenue	1,494	1,660
Parking revenue	173	208
Foreign exchange (expense) revenue	(34)	7
Miscellaneous revenue	52	25
	7,961	8,619
	20,112	8,876

25. SALARY AND EMPLOYEE BENEFITS

SaskCentral contributes annually to a defined contribution pension plan for employees. During the year, SaskCentral contributed \$423 (2020 - \$455) in defined contributions. These costs are included in salary and employee benefits. The contributions are held in trust by the Co-operative Superannuation Society. As a defined contribution pension plan, SaskCentral has no future obligation for future contributions to fund benefits to plan members.

Due to COVID-19, the Government of Canada has implemented the COVID-19 Economic Response Plan. Under the plan SaskCentral is eligible for the Canada Emergency Wage Subsidy (CEWS). The subsidy supports eligible Canadian businesses impacted by COVID-19. The program is divided into 21 four week periods. To be eligible for the first period businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reduction of greater than 30%. For the remaining periods, a sliding scale based on overall revenue reduction in each period is used. SaskCentral recorded a wage subsidy of \$894 (2020 - \$1,192) under the CEWS program. SaskCentral has recognized the subsidy as a reduction in salaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	2021	2020
	\$	\$
Realized gains arising on financial assets measured as at FVTOCI	11	15
Unrealized gains arising on financial assets measured at FVTPL	1,849	426
Unrealized (losses) gains arising on financial assets designated as at FVTPL	(29,847)	23,830
Realized gains arising on financial assets designated as at FVTPL	158	973
Unrealized gains (losses) arising on financial liabilities designated as at FVTPL	29,059	(21,897)
Reclassification of net change in fair value on financial liabilities designated as at FVTPL from profit or loss to OCI (own credit risk reserve)	(4,190)	3,193
	(2,960)	6,540

27. 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.

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 provided a variety of services to Concentra Bank, Celero Solutions, and PPJV. Some of the services provided include facility services and financial services. SaskCentral also received financial services from Concentra Bank, and technology services from Celero Solutions and PPJV. All related party transactions with Concentra Bank and PPJV are eliminated upon consolidation and therefore, related party information with Concentra Bank and CUPS is not disclosed below.

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:

	2021	2020
	\$	\$
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	1,361	1,811
Due from included in trade and other receivables	204	80
Due to included in trade and other payables	2,217	1,120
Interest received from	44	62
Fee for service revenue received from	1,429	996
Technology services paid to	15,298	12,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. RELATED PARTY TRANSACTIONS (continued)

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:

	2021	2020
	\$	\$
Directors		
Salaries and other short-term employee benefits	819	758
Post-employment and other long-term benefits	5	5
	824	763
Key management personnel		
Salaries and other short-term employee benefits	8,077	6,726
Post-employment and other long term benefits	1,398	1,291
Termination benefits	1,451	-
	10,926	8,017
	11,750	8,780

At December 31, 2021, certain directors and key management were indebted to SaskCentral for an amount totaling \$692 (2020 - \$533) and held deposits at SaskCentral totaling \$444 (2020 - \$99). The loans to and deposits held by directors were granted under the same lending policies applicable to other members. Certain management loans qualify for the staff lending program at preferential rates.

28. COMMITMENTS

Credit commitments

Loan commitments consist of authorized but undrawn lines of credit and loans as well as letters of credit. Loan commitments represent a maximum credit exposure to SaskCentral. If applicable, the maximum credit exposure to SaskCentral under certain letters of credit includes amounts for which SaskCentral has recourse to a third party lender.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. COMMITMENTS (continued)

SaskCentral earns minimal fees on commitments. The following table summarizes the contractual maturities of the financial assets underlying SaskCentral's credit commitments:

	2021	2020
	\$	\$
Lines of credit and loan commitments		
<i>Loans at amortized cost</i>		
Original term to maturity of one year or less	891,612	747,955
Original term to maturity of more than one year	463,992	545,673
<i>Loans at FVTPL</i>		
Original term to maturity of more than one year	68,000	54,918
	1,423,604	1,348,546
Letters of credit and guarantees		
Original term to maturity of one year or less	15,228	17,451
Original term to maturity of more than one year	21,409	17,969
	36,637	35,420
Uncalled capital commitments for investments		
Reclassification to commitments associated with assets held for sale	(920,213)	-
	579,944	1,383,966

Contractual commitments

As of December 31, 2021, SaskCentral has significant contractual commitments made on behalf of credit unions for data, management, risk management, technology management support and telecommunication services. In addition, SaskCentral also has contractual commitments for its own operations. The contracts have varying terms over 8 years.

Under the terms of the Prairie Payments Joint Venture Agreement, the revenues, expenses, losses and costs of capital projects of PPJV belong to and are borne exclusively and in equal share by the joint venturers. Each joint venture is contractually responsible for its share of the liabilities of the PPJV and for funding its share of ongoing expenses. The PPJV has contractual agreements until 2030 for the development and operation of a payments processing platform. SaskCentral's proportionate share of these commitments is \$52,181.

The following table summarizes the expected cash outflows resulting from these contracts over their respective terms.

	Total
Less than one year	8,996
One to five years	26,966
Five years and thereafter	23,228
	59,190

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. COMMITMENTS (continued)

Litigation and other contingencies

SaskCentral is subject to various claims and litigation arising from time to time in the ordinary course of business. SaskCentral records a legal provision when it becomes probable that SaskCentral will incur a loss and the amount can be reliably estimated. The established legal provisions represent SaskCentral's best estimate of the expenditure required to settle current and pending litigation proceedings and the related legal costs, based on currently available information. However, given the uncertainties inherent in litigation proceedings, there is a possibility that the ultimate resolution may materially differ from current estimates.

29. SUBSIDIARIES

CUVentures LP

As discussed in note 3, CUVentures LP was dissolved and wound down on December 15, 2020. Prior to December 15, 2020, SaskCentral owned 100% of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral had control over CUVentures LP and CUVentures LP was consolidated into these financial statements. CUVentures LP's principal place of business was Regina, Saskatchewan.

Concentra Bank

SaskCentral owns 84.02% (2020 - 84.02%) of the common shares of Concentra Bank. As described in note 3, SaskCentral has control over Concentra Bank as a result of SaskCentral's ability to call a special resolution vote on any matter or Board decision related to Concentra Bank and its voting interest in Concentra Bank. Concentra Bank is consolidated into these financial statements. Concentra Bank owns 100% of the common shares of Concentra Trust. Concentra Bank's principal place of business is Regina, Saskatchewan.

The portion of net assets and income attributable to third parties is reported as non-controlling interest and profit or loss attributable to non-controlling interest in the consolidated balance sheet and consolidated statement of profit or loss, respectively. The non-controlling interest of Concentra Bank were initially measured at fair value on the date of acquisition.

As described in note 2.2, on December 31, 2021, SaskCentral's investment in Concentra Bank was classified as assets held for sale and accounted for under IFRS 5. The disposition of Concentra Bank is expected to result in a loss of control. As a result, the 2021 financial information related to Concentra Bank is not disclosed in the below table. The following table summarizes the financial information relating to SaskCentral's subsidiaries, before any intra-group eliminations:

	2020 \$	
	CUVentures LP	Concentra Bank
Assets	-	11,063,911
Liabilities	-	10,536,796
Revenue	(7)	316,748
Profit (loss)	(7)	25,383
Other comprehensive income	-	10,319
Total comprehensive income (loss)	(7)	35,702

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29. SUBSIDIARIES (continued)

The following table provides a continuity of non-controlling interest:

	2021	2020
	\$	\$
Balance at beginning of year	182,043	178,459
Comprehensive income attributable to non-controlling interest for the year	7,873	9,547
Dividends	(5,237)	(5,963)
Balance at end of year	184,679	182,043

30. DISCONTINUED OPERATIONS

On December 14, 2021, the Board resolved to dispose of SaskCentral's investment in Concentra Bank, including Concentra Trust, and negotiations with interested parties have subsequently taken place. The disposal is consistent with SaskCentral's long-term business plan. SaskCentral's investment in Concentra Bank, which is expected to be sold within twelve months, has been classified as held for sale and presented separately in the consolidated balance sheet. The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations.

The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognized on the classification of these assets held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2021
	\$
Assets held for sale	
Cash and cash equivalents	181,809
Securities	1,474,253
Derivative assets	7,216
Loans	9,078,197
Other securitization assets	84,863
Trade and other receivables	11,861
Other assets	3,175
Property, plant and equipment	20,174
Intangible assets	8,056
Current income tax assets	944
Deferred income tax assets	13,972
Goodwill	41,979
Total assets classified as held for sale	10,926,499

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30. DISCONTINUED OPERATIONS (continued)

	2021 (continued) \$
Liabilities associated with assets held for sale	
Deposits	6,695,642
Derivative liabilities	7,075
Loans and notes payable	164,259
Securitization liabilities	3,439,709
Trade and other payables	19,503
Other liabilities	20,608
Current income tax liabilities	120
Deferred income tax liabilities	30,114
Total liabilities associated with assets held for sale	10,377,030
Net assets of disposal group	549,469

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2021 \$	2020 \$
Revenue	145,894	108,392
Expenses	88,658	76,407
Profit before tax	57,236	31,985
Attributable tax expense	29,305	8,465
Income from the year from discontinued operations	27,931	23,520
Income attributable to:		
Owners of SaskCentral	17,625	15,622
Non-controlling interest	10,306	7,898

The cumulative loss included in AOCI relating to the disposal group is \$1,700.

31. SUBSEQUENT EVENT

As disclosed in note 30, on December 14, 2021 the Board approved the intention to dispose of all shares of its ownership in Concentra Bank. On February 7, 2022, SaskCentral, Concentra Bank and Equitable Bank, the wholly owned subsidiary of Equitable Group Inc., announced that Equitable Bank entered into definitive agreements by which Equitable Bank will acquire SaskCentral's 84.02% common share equity interest in Concentra Bank as well as support agreements with additional Concentra Bank shareholders representing a majority of the remaining 15.98% common share ownership.

Together, these agreements will enable Equitable Bank to acquire 100% of Concentra Bank for a combined premium of \$35,700 to book value of common equity, of which SaskCentral's portion is \$30,000. Based on Concentra's book value at December 31, 2021, this would result in a total purchase price of \$395,000 for SaskCentral's share in Concentra Bank, subject to customary adjustments at the time of closing. The transaction is subject to approval by regulatory authorities and is expected to take effect in the second half of 2022. Management is still assessing the full financial impact of this transaction on these consolidated financial statements.



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