CONSOLIDATED FINANCIAL STATEMENTS

CREDIT UNION CENTRAL OF SASKATCHEWAN

December 31, 2022

Deloitte.

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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, 2022, 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, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, in the Annual Report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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
Regina, Saskatchewan
April 19, 2023

CONSOLIDATED BALANCE SHEET

[in thousands of Canadian dollars]

As at December 31

	2022 $	2021 $
Assets		
Cash and cash equivalents [note 7]	**200,445**	102,640
Securities [note 8]	**2,994,985**	2,663,610
Derivative assets [note 9]	**5,376**	8,655
Loans [note 10]	**37,467**	15,258
Trade and other receivables	**3,337**	3,427
Other assets	**705**	443
Investments in associates [note 13]	**31,455**	37,291
Property, plant and equipment [note 14]	**4,839**	7,347
Investment property [note 15]	**8,855**	6,604
Intangible assets [note 16]	**24,223**	20,720
Deferred income tax assets [note 17]	**10,453**	12,108
Assets held for sale [note 29]	**-**	10,926,499
	3,322,140	13,804,602
Liabilities		
Deposits [note 18]	**2,664,542**	2,593,269
Derivative liabilities [note 9]	**6,406**	8,655
Loans and notes payable [note 19]	**29,954**	29,998
Trade and other payables	**306,718**	11,941
Other liabilities [note 20]	**154**	307
Liabilities directly associated with assets held for sale [note 29]	**-**	10,377,030
	3,007,774	13,021,200
Equity		
Share capital [note 21]	**175,688**	175,262
Retained earnings	**136,637**	422,379
Accumulated other comprehensive income	**2,041**	1,082
Total equity attributable to equity holders of SaskCentral	**314,366**	598,723
Non-controlling interest [note 29]	**-**	184,679
	314,366	783,402
	3,322,140	13,804,602

See accompanying notes

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2022 $	2021 $
Continuing operations		
Interest income		
Securities	**54,051**	30,310
Loans	**1,720**	547
	55,771	30,857
Interest expense		
Deposits	**43,168**	25,138
Loans and notes	**808**	96
	43,976	25,234
Net interest income [note 23]	**11,795**	5,623
Provision for credit losses [note 11]	**260**	12
Net interest income after provision for credit losses	**11,535**	5,611
Non-interest income		
Assessment revenue [note 24]	**6,088**	5,123
Fee for service [note 24]	**14,812**	20,112
Loss on financial instruments [note 26]	**(5,330)**	(2,960)
Share of (losses) profits in associates	**(3,875)**	2,501
	11,695	24,776
Net interest and non-interest income	**23,230**	30,387
Non-interest expense		
Salary and employee benefits [note 25]	**12,106**	13,503
Professional and advisory services	**5,030**	5,964
Computer and office equipment	**14,402**	14,905
Occupancy	**5,227**	5,582
General business	**2,850**	2,864
	39,615	42,818
Loss for the year before income taxes	**(16,385)**	(12,431)
Income tax recovery [note 17]	**(4,874)**	(3,873)
Loss for the year from continuing operations	**(11,511)**	(8,558)
Discontinued operations, net of tax		
Profit for the year from discontinued operations [note 30]	**615**	27,931
Gain on sale of discontinued operations [notes 29 and 30]	**17,166**	-
Profit for the year	**6,270**	19,373
Attributable to:		
Owners of SaskCentral	**6,270**	9,067
Non-controlling interest [note 29]	**-**	10,306
	6,270	19,373

See accompanying notes

Credit Union Central of Saskatchewan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2022 $	2021 $
Profit for the year	**6,270**	19,373
Other comprehensive income (loss) from continuing operations		
Items that will be reclassified subsequently to profit or loss:		
Financial assets at FVTOCI		
Net unrealized losses on FVTOCI securities and loans during the year	**(3,725)**	(1,763)
Reclassification of losses (gains) on FVTOCI securities and loans disposed of in the year	**26**	(11)
Reclassification of impairment losses on FVTOCI securities and loans [note 11]	**44**	6
Share of other comprehensive loss of associates	**(569)**	(157)
Income tax relating to items that will be reclassified subsequently [note 17]	**999**	579
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value due to change in own credit risk on financial liabilities [note 26]	**3,147**	4,190
Income tax related to items that will not be reclassified subsequently [note 17]	**(850)**	(1,131)
Other comprehensive (loss) income for the year from continuing operations, net of tax	**(928)**	1,713
Discontinued operations		
Other comprehensive income (loss) from discontinued operations [note 29]	**-**	(15,232)
Total comprehensive income for the year	**5,342**	5,854
Attributable to:		
Owners of SaskCentral	**5,342**	(2,019)
Non-controlling interest [note 29]	**-**	7,873
	5,342	5,854

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[in thousands of Canadian dollars]

Year ended December 31

			Accumulated other comprehensive income				
	Share capital	**Retained earnings**	**Fair value reserves**	**Own credit risk reserve**	**Total**	**Non-controlling interest**	**Total equity**
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**
Profit for the year	**-**	**6,270**	**-**	**-**	**6,270**	**-**	**6,270**
Other comprehensive (loss) income for the year, net of tax	**-**	**-**	**(3,225)**	**2,297**	**(928)**	**-**	**(928)**
Increase in share capital	**426**	**-**	**-**	**-**	**426**	**-**	**426**
Dividends [note 22]	**-**	**(291,825)**	**-**	**-**	**(291,825)**		**(291,825)**
Adjustment arising from disposal of subsidiary [note 29]			**1,700**		**1,700**	**(184,679)**	**(182,979)**
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	**-**	**(187)**	**-**	**187**	**-**	**-**	**-**
Balance as at December 31, 2022	**175,688**	**136,637**	**(46)**	**2,087**	**314,366**	**-**	**314,366**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2022 $	2021 $
Cash flows from (used in) operating activities		
Profit for the year	**6,270**	19,373
Adjustments to determine net cash (used in) from operating activities:		
Profit for the year from discontinued operations	**(615)**	(27,931)
Gain on sale of discontinued operations, net of tax [note 29 and 30]	**(17,166)**	-
Depreciation of property, plant and equipment and investment property	**660**	730
Other amortization/accretion	**11,729**	19,266
Loss on financial instruments [note 26]	**5,330**	2,960
Loss on disposal of property, plant, and equipment	**2**	6
Net interest income [note 23]	**(11,795)**	(5,623)
Provision for credit losses [note 11]	**260**	12
Share of losses (profits) in associates	**3,875**	(2,501)
Income tax recovery [note 17]	**(4,874)**	(3,873)
Changes in operating assets and liabilities:		
Derivative assets, net of derivative liabilities	**1,030**	-
Loans, net of repayments and sales	**11,574**	645
Trade and other (payables) receivables	**(2,097)**	(781)
Other assets	**(261)**	44
Deposits, net of withdrawals	**105,320**	128,050
Loans and notes payable, net of repayments	**(34,041)**	(23,013)
Other liabilities	**(229)**	210
Interest received	**53,180**	30,264
Dividends received	**749**	285
Interest paid	**(42,709)**	(26,404)
Cash flows from continuing operating activities	**86,192**	111,719
Cash flows from (used in) discontinued operations	**843**	(173,778)
Cash flows from (used in) operating activities	**87,035**	(62,059)
Cash flows from (used in) financing activities		
Proceeds from issuance of share capital	**426**	6,572
Dividends paid to members [note 22]	**(564)**	(5,628)
Cash flows (used in) from continuing financing activities	**(138)**	944
Cash flows used in financing activities - discontinued operations	**-**	(5,725)
Cash flows used in financing activities	**(138)**	(4,781)

Continued on following page

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

[in thousands of Canadian dollars]

Year ended December 31

	2022 $	2021 $
Cash flows from (used in) investing activities		
Purchase of securities	**(4,094,868)**	(1,953,949)
Proceeds from sales of securities	**3,700,106**	1,675,254
Distributions from investments in associates	**1,319**	6,880
Proceeds from sale of discontinued operations [notes 29 and 30]	**410,773**	-
Additions to property, plant and equipment, net of disposals	**(184)**	(173)
Additions to intangible assets, net of disposals	**(6,238)**	(6,413)
Cash flows from (used in) continuing investing activities	**10,908**	(278,401)
Cash flows used in investing activities – discontinued operations	**-**	(402,404)
Cash flows from (used in) investing activities	**10,908**	(680,805)
Net increase (decrease) in cash and cash equivalents	**97,805**	(747,645)
Cash and cash equivalents, beginning of year	**102,640**	1,032,094
Cash reclassified to assets held for sale of assets held for sale [notes 29]	**-**	(181,809)
Cash and cash equivalents, end of year	**200,445**	102,640

See accompanying notes

1. REPORTING ENTITY

Credit Union Central of Saskatchewan and its subsidiaries (collectively "SaskCentral") is a company domiciled in Canada. The address of SaskCentral's registered office is 2055 Albert Street, Regina, Saskatchewan, S4P 3G8. SaskCentral is incorporated under *The Credit Union Central of Saskatchewan Act, 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. On November 1, 2022, SaskCentral disposed of its entire investment in Concentra Bank, including Concentra Trust.

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 April 19, 2023.

(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.

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.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

The following entities are included in these consolidated financial statements:

Concentra Bank – On November 1, 2022, SaskCentral disposed of its entire investment in Concentra Bank, including Concentra Trust, which resulted in a loss of control. Prior to November 1, 2022, SaskCentral owned 84.02% (2021 – 84.02%) of the common shares of Concentra Bank and controlled Concentra Bank. In the 2021 consolidated financial statements, 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.* As a result, Concentra Bank's financial information included in these consolidated financial statements is presented in note 29 and not included in the remaining note disclosure, unless specifically required by IFRS.

Concentra Trust – Concentra Bank owns 100% (2021 – 100%) of the common shares of Concentra Trust; as such, note 29 of these consolidated financial statements include the assets and liabilities and results of the operations of this wholly owned subsidiary.

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 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% (2021 – 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Investments in associates (continued)

CU CUMIS Wealth Holdings LP (CUC Wealth) – SaskCentral has a 10.92% (2021 – 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.

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% (2021 – 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

(a) Financial assets (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

(a) Financial assets (continued)

Equity instruments measured at FVTPL/FVTOCI (continued)

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, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 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.

The following table represents the values of the macroeconomic variables over the next four calendar quarters used in determining SaskCentral's ECLs.

Macroeconomic variables	**12-month forecast Base case**
Bank of Canada interest rates (%)	**4.30**
Canadian unemployment (%)	**5.96**
GDP growth (% change)	**0.17**
Housing starts (000s/quarter)	**55.95**
Oil price ($USD)	**87.38**
Provision for credit losses (%)	**0.18**

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Derivative financial instruments and hedge accounting (continued)

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.

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.

2.10 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.

2.11 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Revenue recognition (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Revenue recognition (continued)

(b) Concentra Bank revenue recognition (continued)

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.

(c) PPJV revenue recognition

Payment processing fees

The PPJV revenue is comprised primarily of payment processing services, including automated fund transfers, wires, bill payments, Interac payments, cheque imaging, statement processing and other payments related services. The performance obligations for legacy services are satisfied at the point in time in which the services are rendered to the customer. For Interac payments processed on the payments processing platform, the PPJV's performance obligation is to provide continuous access to the platform and to Interac services over the life of the contract, and accordingly, revenue from these services is recognized over time. For both legacy services and Interac payments processed on the platform, the transaction price is a fixed amount per transaction. The PPJV collects payments from its customers on a monthly basis and there are no significant financing components.

2.12 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.

2.13 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 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.

2.14 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Property, plant and equipment (continued)

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.

2.15 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.

2.16 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.

2.17 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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Impairment of non-financial assets (continued)

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 2022 or 2021.

2.18 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Taxation (continued)

(b) Deferred tax (continued)

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.

2.19 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.

2.20 Employee benefits

(a) Pension benefits

A defined contribution plan is a post-employment benefit plan under which SaskCentral pays fixed contributions into a separate entity. SaskCentral has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

(b) Short-term employee benefits

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(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.

2.21 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. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding 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.

2.22 Dividends

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

2.23 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.

2.24 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

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.

Control of Concentra Bank

Prior to November 1, 2022, Concentra Bank was 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% (2021 - 84.02%) voting interest in Concentra Bank. In addition, SaskCentral had the power to appoint and remove four out of the twelve directors of Concentra Bank. Management concluded that SaskCentral had 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. On November 1, 2022, SaskCentral disposed of its entire investment in Concentra Bank, resulting in a loss of control.

Significant influence over Celero Solutions

SaskCentral has significant influence over Celero Solutions by virtue of its 33.33% (2021– 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Purchase price adjustment related to the sale of Concentra Bank

SaskCentral is currently in confidential discussions with Equitable Bank with respect to the final purchase price adjustments related to the sale of Concentra Bank. Management expects the confidential discussions to be resolved through arbitration. Management has made judgments related to the outcome of the arbitration and the estimate of the adjusted purchase price.

Losses from equity accounted investees

IAS 28, *Investments in Associates and Joint Ventures* requires losses from an equity accounted investee to be applied to the investment and to any other long-term interests with the investee. Management is required to make judgments on whether loans to equity accounted investees are considered a long-term interest. Management has concluded that as of the end of the reporting period, loans to Celero Solutions are not a long-term interest and remain accounted for in accordance with the requirements of IFRS 9.

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% (2021 – 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

SaskCentral is a joint venturer in 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. The PPJV provides payment services and related support services to the members of its owners as well to other organizations. SaskCentral has 33.33% (2021 – 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.

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

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

Some of SaskCentral's financial assets and 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.

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.

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 assets and liabilities recognized at December 31, 2021 are based on future profitability assumptions within the foreseeable future. In the event of changes to these profitability assumptions, the deferred income tax assets and liabilities recognized may be adjusted. Uncertainty about the assumptions and estimates of future profitability could result in outcomes that require a material adjustment to the deferred assets or liabilities. 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.

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

Key sources of estimation uncertainty (continued)

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.

4. FINANCIAL RISK MANAGEMENT

The *Financial Management Policy,* the *Enterprise Risk Management Framework,* and the *Risk Appetite Framework* outline risk management activities that support the maintenance of sufficient liquidity while ensuring capital adequacy and maintaining acceptable levels of risk. 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. On November 1, 2022, SaskCentral disposed of its entire investment in Concentra Bank. As a result, the risk management metrics relating to Concentra Bank are not disclosed in this note.

The *Enterprise Risk Management 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. The *Risk Appetite Framework* sets basic goals, benchmarks, parameters and limits (e.g., level of losses) as to the amount of risk SaskCentral is willing to accept, taking into account various financial, operational and macroeconomic factors.

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;
- Limiting credit union loans;
- Limiting the use of derivatives.

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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 certain 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 Investment Management Committee and Management Risk Committee, established by the Board and comprised of members of executive and senior management support credit risk oversight by ensuring credit risk is well understood and within stated risk appetite and tolerance limits.

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

- Compliance certificate (certifying compliance with concentration limits)
- Monitored and Non-Productive Assets Report
- Large Lending Credit Report
- Enterprise Risk Management Report

The SaskCentral credit risk objectives, policies, and methodologies have not changed materially from December 31, 2021.

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.

in thousands of Canadian dollars

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:

	2022 $		
	Amount outstanding	**Undrawn commitments (1)**	**Total**
Cash and cash equivalents	**200,445**	**-**	**200,445**
Securities	**2,994,993**	**7,740**	**3,002,733**
Derivative assets	**3,357**	**-**	**3,357**
Loans	**37,704**	**581,349**	**619,053**
Investments in associates	**31,455**	**-**	**31,455**
Total exposure	**3,267,954**	**589,089**	**3,857,043**

(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. Includes unfunded capital commitments on securities.*

	2021 $		
	Amount outstanding	**Undrawn 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 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.*

in thousands of Canadian dollars

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:

	2022 $				2021 $
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans at amortized cost					
Low risk	**29,438**	**-**	**-**	**29,438**	13,211
Standard monitoring	**-**	**8,266**	**-**	**8,266**	2,068
Total exposure	**29,438**	**8,266**	**-**	**37,704**	15,279
Allowance for credit losses	**-**	**(237)**	**-**	**(237)**	(21)
Undrawn commitments and letters of credit (1)					
Low risk	**579,682**	**-**	**-**	**579,682**	574,944
Standard monitoring	**1,667**	**-**	**-**	**1,667**	5,000
Total exposure (2)	**581,349**	**-**	**-**	**581,349**	579,944
Allowance for credit losses	**-**	**-**	**-**	**-**	-
Securities at FVTOCI					
AAA/R1H	**1,488**	**-**	**-**	**1,488**	49,981
AA/R1M	**73,582**	**-**	**-**	**73,582**	32,043
A/R1L	**393,034**	**-**	**-**	**393,034**	81,150
BBB/R2H	**941**	**-**	**-**	**941**	9,268
Unrated	**7,640**	**-**	**-**	**7,640**	5,680
Total exposure	**476,685**	**-**	**-**	**476,685**	178,122
Impairment reserve (3)	**(87)**	**-**	**-**	**(87)**	(43)
FVTPL securities					
AAA/R1H	**774,583**	**-**	**-**	**774,583**	693,432
AA/R1M	**457,773**	**-**	**-**	**457,773**	650,662
A/R1L	**960,604**	**-**	**-**	**960,604**	846,748
BBB/R2H	**268,948**	**-**	**-**	**268,948**	258,794
Unrated	**36,751**	**-**	**-**	**36,751**	18,869
Total exposure	**2,498,659**	**-**	**-**	**2,498,659**	2,468,505
Unfunded capital commitments on securities					
Unrated	**7,740**	**-**	**-**	**7,740**	-
Total exposure	**3,593,871**	**8,266**	**-**	**3,602,137**	2,468,505

(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.*

(2) *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.*

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

in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Collateral and other credit enhancements

Commercial loans

Approximately 100% (2021- 100%) of SaskCentral's commercial loans portfolio consists of lines of credit to credit unions and SaskCentral doesn't hold any collateral on these lines of credit.

(d) Securities

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

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.

	2022	**2021**
	$	**$**
Automobile financing	**85,295**	85,487
Banking (Schedule 1)	**779,997**	458,207
Information	**143,192**	86,141
Insurance carriers and related activities	**997**	997
Local credit union	**511,628**	491,758
Manufacturing	**49,885**	92,307
Mining & oil and gas extraction	**106,591**	67,945
Other non-depository (co-operatives)	**304,899**	278,931
Public administration (federal, provincial, and municipal government)	**1,521,124**	1,459,277
Real estate	**72,060**	103,676
Residential mortgages - conventional	**-**	1,103
Retail trade	**31,843**	41,816
Securities, commodity contracts and other FI's	**113,640**	54,147
Transportation and warehousing	**28,405**	26,745
Utilities	**107,487**	153,784
Total exposure	**3,857,043**	3,402,321

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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.

Market risk

Market risk arises from three components:

- Interest rate risk refers to the current or prospective risk to SaskCentral's capital and earnings arising from adverse movement in interest rates;
- 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:

- Matching asset duration or cash flows to liability duration or cash flows;
- Establishing market risk limits;
- Monitoring exposure and simulating the impact of interest rate changes;
- Matching the amount of foreign-denominated assets to foreign-denominated liabilities; 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.

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

- Compliance certificate (certifying compliance with net interest income and economic value of equity limits)
- Capital adequacy, Asset quality, Management capability, Earnings, Liquidity, Sensitivity (CAMELS) Report
- Enterprise Risk Management Report

SaskCentral's market risk objectives and methodologies have not changed materially from December 31, 2021.

in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

SaskCentral is not exposed to significant currency risk as the net foreign currency positions are not significant.

The following represents SaskCentral's market risk position:

	2022		2021	
	Adjusted net interest income	**Economic value of equity**	**Adjusted net interest income**	**Economic value of equity**
Impact of:				
200 bp increase in rates	**19.96%**	**(2.71%)**	(9.73%)	(3.35%)
200 bp decrease in rates	**(23.01%)**	**3.32%**	2.85%	0.21%
Impact of:				
30% rate ramp increase	**0.62%**	**0.92%**	(0.97%)	0.11%
30% rate ramp decrease	**(4.07%)**	**2.40%**	(5.57%)	1.16%

(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 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 to fluctuations in the yield curve over the next twelve months are outlined in the following table:

	2022 $		2021 $	
	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	**18,343**	**(785)**	5,305	(1,260)
200 bp decrease in rates	**11,772**	**754**	6,044	1,210

in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

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.

	2022 $						
	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	200,445	-	-	-	-	-	200,445
Securities	-	943,741	590,186	1,402,191	-	58,867	2,994,985
Loans	-	29,222	-	8,245	-	-	37,467
Other non-sensitive assets	-	-	-	-	-	89,243	89,243
Total assets	200,445	972,963	590,186	1,410,436	-	148,110	3,322,140
Liabilities							
Deposits	202,763	145,216	413,730	993,020	-	909,813	2,664,542
Loans and notes payable		29,954	-	-	-	-	29,954
Other non-sensitive liabilities	-	-	-	-	-	313,278	313,278
Equity attributable to equity holders	-	-	-	-	-	314,366	314,366
Non-controlling interest	-	-	-	-	-	-	-
Total liabilities and equity	202,763	175,170	413,730	993,020	-	1,537,457	3,322,140
On-balance sheet gap	(2,318)	797,793	176,456	417,416	-	(1,389,347)	-
Notional amount of derivative financial instruments							
Pay side instruments	-	(3,728)	(1,751)	(42,789)	-	-	(48,268)
Receive side instruments	-	3,728	-	42,766	-	1,774	48,268
Derivative financial instruments gap	-	-	(1,751)	(23)	-	1,774	-
Total gap	(2,318)	797,793	178,207	417,439	-	(1,391,121)	-
Total cumulative gap	(2,318)	795,475	973,682	1,391,121	1,391,121	-	-

in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

	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	-	-

(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 manages its other price risk by adhering to the *Financial Management Policy*.

in thousands of Canadian dollars

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.

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 requires pledging of system assets to meet the standards described by the Bank of Canada's Standing Liquidity Facility;
- Maintaining a *Liquidity Crisis Management Plan* 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.

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

- Compliance certificate (certifying compliance with liquidity coverage ratio limits)
- Capital adequacy, Asset quality, Management capability, Earnings, Liquidity, Sensitivity (CAMELS) Report
- Enterprise Risk Management Report

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.

	2022		**2021**	
	System-wide LCR	**Stand-alone LCR**	**System-wide LCR**	**Stand-alone LCR**
Policy limit	**120%**	**110%**	120%	110%
Actual	**232%**	**198%**	221%	153%

SaskCentral's liquidity risk objectives and methodologies have not changed materially from December 31, 2021.

in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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.

2022
$

	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	**202,763**	**145,765**	**417,384**	**1,031,724**	**-**	**909,813**	**2,707,449**
Loans and notes payable	**-**	**29,954**	**-**	**-**	**-**	**-**	**29,954**
Total exposure	**202,763**	**175,719**	**417,384**	**1,031,724**	**-**	**909,813**	**2,737,403**

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

in thousands of Canadian dollars

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 2022 $	2021 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets					
Securities					
Government	FVTOCI	**1,488**	1,246,902	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	**1,520,391**	1,459,277	Level 2	
Corporate debt	FVTOCI	**2,919**	94,212	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	**686,898**	694,156	Level 2	
	FVTPL	**-**	58,734	Level 3	Market comparable prices, when available. Significant unobservable inputs include discount rates, capitalization rates, rent forecasts, market interest rates and credit spreads.
Equities	FVTPL	**18,237**	-	Level 3	Pooled fund investments are valued based on estimated fair values determined using appropriate techniques and best estimates by the investment administrator and recorded based on net asset values.
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	**464,638**	195,285	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	**240,143**	270,724	Level 2	
	FVTPL	**14,476**	25,479	Level 2	
Co-operatives (1)	FVTOCI	**7,640**	5,680	Level 3	Discounted cash flow. Future cash flows based on projected operating results of the entity and a terminal growth rate ranging from 0 - 2% (2021 – 0 - 2%). Discount rate ranging 11% - 12% (2021 – 10% - 11%).

(1) Certain co-operative securities with a carrying value at December 31, 2022 of $1,115 (2021 - $26,764) are not included in this note as these securities are carried at cost because a quoted price in an active market is not available and the fair value cannot be reliably measured.

in thousands of Canadian dollars

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 2022 $	2021 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets (continued)					
Securities (continued)					
	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	**17,399**	17,754	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.
Derivative assets					
Index-linked term deposits	FVTPL	**5,376**	8,655	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	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	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	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	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% in 2021 with a change in fair value ranging from $9,057 to ($9,773).
Reclassification to assets held for sale		-	(3,569,404)		
Total financial assets		**2,979,605**	2,654,167		

in thousands of Canadian dollars

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 2022 $	2021 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial liabilities					
Deposits	Designated FVTPL	**2,455,140**	2,407,289	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	**5,376**	8,655	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	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	**1,030**	344	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	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		**2,461,546**	2,415,944		

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, SaskCentral transferred $nil (2021 - $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 2022 and 2021.

in thousands of Canadian dollars

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:

	2022	**2021**
	$	**$**
Level 3, beginning of year	**5,680**	811,662
Unrealized gains (losses) in profit or loss	**(204)**	1,471
Unrealized (losses) gains in OCI	**15**	(11,009)
Purchases/issuances	**20,386**	788,310
Sales/settlements	**-**	(596,378)
Transfer in (out) of Level 3	**-**	1,186,030
Reclassification to assets held for sale	**-**	(2,174,406)
Level 3, end of year	**25,877**	5,680
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**-**	-

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, private equity fund investments 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.

in thousands of Canadian dollars

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 2022 $	Carrying value as at 2021 $	Fair value as at 2022 $	Fair value as at 2021 $	Fair value hierarchy	Valuation technique
Financial assets						
Loans	**37,704**	15,279	**37,673**	15,275	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
	-	6,984,934	**-**	6,961,128	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	**6,555**	7,048	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	**44,704**	22,279	**44,228**	22,323		
Financial liabilities						
Deposits [(1)]	**202,763**	6,877,105	**202,763**	6,880,950	Level 2	Discounted cash flows based on current market rates of interest for similar maturities.
Loans and notes payable	**29,954**	194,257	**29,954**	194,257	Level 2	
Securitization liabilities	**-**	3,439,709	**-**	3,413,474	Level 2	
Reclassification to liabilities associated with assets held for sale	**-**	(10,295,093)	**-**	(10,277,220)		
Total financial liabilities	**232,717**	215,978	**232,717**	211,461		

[(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.

in thousands of Canadian dollars

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, 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 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 2022 and 2021, SaskCentral has been in compliance with CUDGC prescribed capital adequacy requirements, board policy capital requirements, and internally imposed operational capital targets.

	2022	**2021**
	$	**$**
Capital		
Tier 1 and Tier 2 regulatory capital	**314,412**	597,244
Less deductions:		
Substantial investments	**32,049**	426,896
Assets of little value	**12,544**	186
Total borrowing multiple capital	**269,819**	170,162
Borrowing multiple	**10.0:1**	15.5:1

in thousands of Canadian dollars

7. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash and balances with Central 1	**96,964**	96,421
Cash and balances with banks	**5,120**	188,028
Cash equivalents	**98,361**	-
Reclassification to assets held for sale [note 29]	**-**	(181,809)
	200,445	102,640

8. SECURITIES

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 72% (2021 – 65%) 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:

		2022 $					
		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**	**Total**
FVTOCI							
Government							
Fair value	**3.95%**	**1,488**	**-**	**-**	**-**	**-**	**1,488**
Amortized cost		**1,492**	**-**	**-**	**-**	**-**	**1,492**
Corporate debt [2]							
Fair value	**2.80%**	**-**	**1,978**	**941**	**-**	**-**	**2,919**
Amortized cost		**-**	**2,000**	**1,000**	**-**	**-**	**3,000**
Chartered banks							
Fair value	**4.25%**	**424,443**	**18,806**	**21,389**	**-**	**-**	**464,638**
Amortized cost		**425,521**	**19,103**	**22,200**	**-**	**-**	**466,824**
Co-operatives [3]							
Fair value		**-**	**-**	**-**	**-**	**7,640**	**7,640**
Amortized cost		**-**	**-**	**-**	**-**	**3,302**	**3,302**
Total FVTOCI fair value		**425,931**	**20,784**	**22,330**	**-**	**7,640**	**476,685**
Total FVTOCI amortized cost		**427,013**	**21,103**	**23,200**	**-**	**3,302**	**474,618**

[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*

in thousands of Canadian dollars

8. SECURITIES (continued)

	2022 (continued) $						
		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	Total
Designated FVTPL							
Government							
Fair value	**3.46%**	**463,317**	**256,421**	**800,653**	**-**	**-**	**1,520,391**
Amortized cost		**463,439**	**257,405**	**820,979**	**-**	**-**	**1,541,823**
Corporate debt [2]							
Fair value	**2.53%**	**41,852**	**196,292**	**448,754**	**-**	**-**	**686,898**
Amortized cost		**42,005**	**199,807**	**466,624**	**-**	**-**	**708,436**
Chartered banks							
Fair value	**1.64%**	**-**	**116,689**	**123,454**	**-**	**-**	**240,143**
Amortized cost		**-**	**118,641**	**129,851**	**-**	**-**	**248,492**
Total designated FVTPL fair value		**505,169**	**569,402**	**1,372,861**	**-**	**-**	**2,447,432**
Total designated FVTPL amortized cost		**505,444**	**575,853**	**1,417,454**	**-**	**-**	**2,498,751**
FVTPL							
Chartered banks							
Fair value	**3.10%**	**-**	**-**	**-**	**-**	**14,476**	**14,476**
Amortized cost		**-**	**-**	**-**	**-**	**15,556**	**15,556**
Co-operatives							
Fair value		**-**	**-**	**-**	**-**	**1,115**	**1,115**
Amortized cost		**-**	**-**	**-**	**-**	**1,115**	**1,115**
Equities							
Fair value		**-**	**-**	**-**	**-**	**18,237**	**18,237**
Amortized cost		**-**	**-**	**-**	**-**	**18,513**	**18,513**
Exchange Traded Funds							
Fair value	**3.60%**	**-**	**-**	**-**	**-**	**17,399**	**17,399**
Amortized cost		**-**	**-**	**-**	**-**	**15,582**	**15,582**
Total FVPTL fair value		**-**	**-**	**-**	**-**	**51,227**	**51,227**
Total FVTPL amortized cost		**-**	**-**	**-**	**-**	**50,766**	**50,766**
Amortized cost							
Central 1 subordinated debentures							
Amortized cost	**5.04%**	**-**	**-**	**7,000**	**-**	**-**	**7,000**
Total carrying value of securities							**2,982,344**
Accrued interest							**12,649**
Allowance for credit losses [note 11]							**(8)**
							2,994,985

[1] *represents weighted average effective interest rates based on year-end carrying values*
[2] *corporate debt includes commercial paper and medium-term notes*

in thousands of Canadian dollars

8. SECURITIES (continued)

	2021 $						
		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	Total
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*

in thousands of Canadian dollars

8. SECURITIES (continued)

	2021 (continued) $						
		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	Total
FVTPL							
Chartered banks							
Fair value	4.13%	-	-	-	-	25,479	25,479
Amortized cost		-	-	-	-	25,096	25,096
Corporate debt (2)							
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 FVTPL 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 29]							(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

in thousands of Canadian dollars

8. SECURITIES (continued)

Unrealized gains and losses on securities

	2022 $			
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**
FVTOCI securities				
Government	**1,492**	**-**	**(4)**	**1,488**
Corporate, chartered banks and co-operatives	**473,126**	**4,444**	**(2,373)**	**475,197**
	474,618	**4,444**	**(2,377)**	**476,685**
Designated FVTPL securities				
Government	**1,550,657**	**1,128**	**(22,862)**	**1,528,923**
Corporate and chartered banks	**948,094**	**413**	**(29,998)**	**918,509**
	2,498,751	**1,541**	**(52,860)**	**2,447,432**
FVTPL securities				
Chartered banks, co-operatives and Exchange Traded Funds	**32,253**	**1,817**	**(1,080)**	**32,990**
Equities	**18,513**	**-**	**(276)**	**18,237**
	50,766	**1,817**	**(1,356)**	**51,227**
	3,024,135	**7,802**	**(56,593)**	**2,975,344**

	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, chartered banks and co-operatives	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

in thousands of Canadian dollars

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.

	2022 $						
	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
As intermediary							
Foreign exchange contracts	**-**	**-**	**15,107**	**-**	**15,107**	**-**	**1,030**
Index-linked term deposits	**3,728**	**1,751**	**27,682**	**-**	**33,161**	**5,376**	**5,376**
	3,728	**1,751**	**42,789**	**-**	**48,268**	**5,376**	**6,406**

in thousands of Canadian dollars

9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Notional amounts / term to maturity and fair value of derivative instruments

	2021 $						
	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	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 29]						(7,216)	(7,075)
						8,655	8,655

Amounts expected to be recovered or settled

	2022 $		2021 $	
	Asset	Liability	Asset	Liability
Within 12 months	**1,257**	**1,257**	3,686	3,686
After 12 months	**4,119**	**5,149**	4,969	4,969
	5,376	**6,406**	8,655	8,655

SaskCentral is required to post collateral to derivative counterparties when the sum of the mark to market of the derivative financial instruments in favor of the counterparty exceeds the established threshold. SaskCentral has pledged securities with a fair value of $nil (2021 - $4,200) to support this obligation.

9. DERIVATIVE ASSETS AND LIABILITIES (continued)

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.

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.

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.

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. The hedge activities described above relate to Concentra Bank. As SaskCentral disposed of all of its investment in Concentra Bank in 2022, the hedge activities information for 2022 related to Concentra Bank is not disclosed.

	2021 $
Cash flow hedges	
Effective portion – net gains (losses) recorded in OCI during the year	2,780
Reclassification of losses to profit or loss during the year	91
Fair value hedges	
Ineffective portion recorded in gain on financial instruments	97
Unrealized gains (losses) on derivatives related to hedged risk components	1,308

in thousands of Canadian dollars

10. LOANS

	2022 $		
	Gross carrying value	**Allowance for credit losses**	**Total**
Loans at amortized cost			
Credit union	**29,428**	**-**	**29,428**
Commercial loans	**8,245**	**(237)**	**8,008**
	37,673	**(237)**	**37,436**
Accrued interest			**31**
			37,467

	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 29]			(9,078,197)
			15,258

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.

in thousands of Canadian dollars

10. LOANS (continued)

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. The loans at FVTOCI were specifically related to Concentra Bank. As SaskCentral disposed of all of its investment in Concentra Bank in 2022, the unrealized gains and losses information for 2022 related to Concentra Bank is not disclosed in this note.

			2021 $		
Loans at FVTOCI	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Reclassification to assets held for sale**	**Fair value**
Residential mortgages	2,120,641	3,340	(8,309)	(2,115,672)	-

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

				2022 $		
	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						
Credit union	**5.84%**	**29,428**	**-**	**-**	**-**	**29,428**
Commercial loans	**6.45%**	**4,000**	**-**	**4,245**	**-**	**8,245**
		33,428	**-**	**4,245**	**-**	**37,673**
Accrued interest						**31**
Total gross carrying value						**37,704**

in thousands of Canadian dollars

10. LOANS (continued)

	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

Impaired loans

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The impaired loans related specifically to Concentra Bank. SaskCentral disposed of all of its investment in Concentra Bank in 2022. As such, there are no impaired loans amounts to disclose for 2022. The following table presents the carrying value of loans as at December 31, 2021 that are past due but not classified as credit impaired (Stage 3) because they are either: (1) less than 90 days past due; or (2) fully insured and collection efforts are reasonably expected to result in full repayment:

	2021 $			
	1 - 29 days	**30 - 89 days**	**90 days and greater**	**Total**
Loans at amortized cost				
Residential mortgages	31,119	10,250	6,768	48,137
Consumer loans	3,003	1,785	-	4,788
Credit card receivables	3,854	1,536	-	5,390
Commercial mortgages and loans (includes credit union loans)	1,159	1,310	5,363	7,832
Commercial leases	3,647	1,545	1,489	6,681
Loans at FVTOCI				
Residential mortgages	11,387	2,504	-	13,891
	54,169	18,930	13,620	86,719

in thousands of Canadian dollars

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.

Commercial leases

The commercial lease portfolio relates to Concentra Bank. SaskCentral disposed of all of its investment in Concentra Bank in 2022. As such, there are no commercial lease amounts to disclose for 2022. The carrying value of finance leases of certain commercial equipment where SaskCentral was the lessor as of December 31, 2021 includes the following:

	2021 $
Minimum lease payments receivable:	
Not later than one year	9,415
Between one and five years	220,994
Later than five years	22,109
	252,518
Unearned finance income on commercial leases	(22,414)
Gross commercial leases receivable	230,104

in thousands of Canadian dollars

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:

	2022 $	2021 $
Debt instruments at amortized cost		
Residential mortgages	**-**	364
Consumer loans	**-**	1,717
Credit card receivables	**-**	2,401
Commercial mortgage and loans (includes credit union loans)	**216**	(6,369)
Commercial leases	**-**	1,169
	216	(718)
Debt instruments at FVTOCI		
Residential mortgages	**-**	1,012
Securities	**44**	(28)
	44	984
Gross provision for credit losses		266
Impact of financial guarantees	**-**	(1,963)
Reclassification to discontinued operations [note 29]	**-**	1,709
Net provision for credit losses	**260**	12

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*.

The following table presents the changes to the allowance for credit losses for SaskCentral's loans:

		2022 $		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Credit union and commercial loans				
Balance, beginning of year	**21**	**-**	**-**	**21**
Net provision for credit losses				
Re-measurement	**(15)**	**231**	**-**	**216**
Transfer (from) to:				
Stage 1	**(6)**	**-**	**-**	**(6)**
Stage 2	**-**	**6**	**-**	**6**
Total allowance for credit losses	**-**	**237**	**-**	**237**
Less: allowance for undrawn commitments	**-**	**-**	**-**	**-**
Balance, end of year	**-**	**237**	**-**	**237**

in thousands of Canadian dollars

11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	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 29]	(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 29]	(6,969)	(1,548)	(540)	(9,057)
Balance, end of year	-	-	-	-

Continued on the following page

in thousands of Canadian dollars

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 29]	(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 29]	(133)	(4,929)	(1,225)	(6,287)
Balance, end of year	21	-	-	21

Continued on the following page

in thousands of Canadian dollars

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 29]	(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 29]	(10,108)	(7,894)	(4,407)	(22,409)
Balance, end of year	21	-	-	21

There were no credit impaired (Stage 3) securities in either 2022 or 2021.

12. TRANSFERS OF FINANCIAL ASSETS

Financial asset transfers not qualifying for derecognition

(a) 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.

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.

in thousands of Canadian dollars

12. TRANSFERS OF FINANCIAL ASSETS (continued)

Financial asset transfers not qualifying for derecognition (continued)

(a) Asset securitizations (continued)

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 .

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. The assets transferred under these programs relate specifically to Concentra Bank. As SaskCentral disposed of all of its investment in Concentra Bank in 2022, information related to transferred assets for 2022 related to Concentra Bank is not disclosed in this note.

	2021 $	
	Carrying value	**Fair value**
Securitized assets		
Cash reserve related to Multi-Seller Conduit	3,491	3,491
Securities – securitized portfolio	94,568	94,568
Residential mortgages – securitized	3,773,020	3,767,942
Reclassification to assets held for sale [note 29]	(3,871,079)	(3,866,001)
	-	-
Securitization liabilities		
Securitization obligations under the CMB program (1)	297,133	297,372
Securitization obligations under the NHA MBS program (2)	3,121,098	3,094,684
Securitization obligations to multi-seller conduit (3)	21,478	21,418
Reclassification to liabilities associated with assets held for sale [note 29]	(3,439,709)	(3,413,474)
	-	-
Net position	-	-

(1) *Securitization obligations under the CMB program have a weighted average interest rate of 1.87% 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% 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.*

in thousands of Canadian dollars

12. TRANSFERS OF FINANCIAL ASSETS (continued)

Securitized assets not qualifying for derecognition and associated securitization liabilities (continued)

SaskCentral also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2022, residential mortgages of $nil (2021 - $454,115) with a fair value of $nil (2021 - $450,214) 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.

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.

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. Due to the disposal of SaskCentral's investment in Concentra Bank, the quantitative information for the derecognized loans sales/syndications in 2022 related to Concentra Bank is not disclosed in this note.

		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.*

in thousands of Canadian dollars

12. TRANSFERS OF FINANCIAL ASSETS (continued)

Derecognized financial asset transfers (continued)

(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.

The following table provides quantitative information about these derecognized securitization activities and SaskCentral's continuing involvement during the year. Due to the disposal of SaskCentral's investment in Concentra Bank, the quantitative information about the derecognized securitization activities in 2022 related to Concentra Bank is not disclosed in this note.

	2021 **$**
Securitization activity	
Carrying value of underlying mortgages derecognized in year	247,451
Gain on sale of mortgages during the year	1,438
Continuing involvement	
Carrying value of retained interests	84,863
Reclassification to assets held for sale [note 29]	(84,863)
Total other securitization assets	-
Carrying value of servicing liabilities [note 20]	14,495
Reclassification to liabilities associated with assets held for sale [note 29]	(14,495)
Adjusted carrying value of servicing liabilities	-
Outstanding principal balance of derecognized mortgages at year end	2,948,946
Cumulative income earned on derecognized mortgages during the year	1,788

in thousands of Canadian dollars

13. INVESTMENTS IN ASSOCIATES

Celero Solutions

At December 31, 2022, SaskCentral has a 33.33% (2021 – 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, 2022 SaskCentral has a 10.92% (2021 – 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.

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

				2022 $		
	Assets	**Liabilities**	**Revenue**	**Profit (loss)**	**Other comprehensive income**	**Total comprehensive income (loss)**
Celero Solutions	**44,166**	**54,246**	**67,276**	**(20,197)**	**-**	**(20,197)**
CUC Wealth	**150,180**	**16,946**	**30,727**	**25,820**	**(5,277)**	**20,543**
	194,346	**71,192**	**98,003**	**5,623**	**(5,277)**	**346**

				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

in thousands of Canadian dollars

13. INVESTMENTS IN ASSOCIATES (continued)

A reconciliation of Celero Solutions and CUC Wealth's financial information to the carrying amount of SaskCentral's interest in associates recognized in the consolidated financial statements is provided below.

	2022 $	
	Celero Solutions	**CUC Wealth**
Net assets of the associate	**(10,080)**	**133,234**
Proportion of SaskCentral's ownership interest	**33.3%**	**10.92%**
	(3,360)	**14,549**
Fair value differential upon acquisition	**-**	**19,386**
Amortization of fair value differential	**-**	**(2,511)**
Unrecognized share of losses of an associate for the year	**3,360**	**-**
Other adjustments	**-**	**31**
Carrying amount of SaskCentral's interest in associates	**-**	**31,455**
Cumulative share of loss of associate	**3,360**	**-**

	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

SaskCentral has not recognized losses totaling $3,360 (2021 - $nil) in relation to its interest in Celero Solutions because SaskCentral has no obligation in respect of those losses. In addition, the loans to Celero Solutions described in note 27 of $8,244 (2021 - $1,361) are not considered part of the net investment and therefore, the unrecognized losses have not been attributed to those loans. Although SaskCentral is liable in proportion to its ownership interest in Celero Solutions, for all of Celero Solutions' covenants and obligations, these losses do not reflect an obligation to SaskCentral at the end of the reporting period and therefore have not been recognized.

SaskCentral received the following distributions from its investments in associates:

	2022 $	**2021** $
Celero Solutions	**1,225**	2,243
CUC Wealth	**94**	125
	1,319	2,368

in thousands of Canadian dollars

14. PROPERTY, PLANT AND EQUIPMENT

	2022 $				
	Land	**Building**	**Furniture and equipment**	**Right of use asset**	**Total**
Cost					
Balance as at January 1	**859**	**14,966**	**2,320**	**420**	**18,565**
Additions	**-**	**361**	**154**	**85**	**600**
Disposals	**-**	**(2,325)**	**(931)**	**-**	**(3,256)**
Ending balance as at December 31	**859**	**13,002**	**1,543**	**505**	**15,909**
Accumulated depreciation					
Balance as at January 1	**-**	**9,365**	**1,821**	**32**	**11,218**
Depreciation charges	**-**	**323**	**132**	**131**	**586**
Disposals	**-**	**-**	**(734)**	**-**	**(734)**
Ending balance as at December 31	**-**	**9,688**	**1,219**	**163**	**11,070**
Carrying value as at December 31	**859**	**3,314**	**324**	**342**	**4,839**

	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)	(295)	-	(880)
Reclassification to assets held for sale [note 29]	(517)	(21,178)	(950)	(5,658)	(28,303)
Ending balance as at December 31	859	14,966	2,320	420	18,565
Accumulated depreciation					
Balance as at January 1	-	12,269	2,556	1,184	16,009
Depreciation charges	-	3,921	261	32	4,214
Disposals	-	(292)	(192)	(392)	(876)
Reclassification to assets held for sale [note 29]	-	(6,533)	(804)	(792)	(8,129)
Ending balance as at December 31	-	9,365	1,821	32	11,218
Carrying value as at December 31	859	5,601	499	388	7,347

in thousands of Canadian dollars

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:

	2022 $	2021 $
Cost		
Balance as at January 1	**8,970**	8,224
Additions	**-**	746
Transfer from property, plant and equipment	**2,625**	-
Ending balance as at December 31	**11,595**	8,970
Accumulated depreciation		
Balance as at January 1	**2,366**	2,215
Depreciation charges	**74**	151
Transfer from property, plant and equipment	**300**	-
Ending balance as at December 31	**2,740**	2,366
Carrying value as at December 31	**8,855**	6,604

Regina commercial office building

The fair value of SaskCentral's Regina investment property at December 31, 2022 is $18,123 (2021 - $13,958). The fair value of investment property 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 2022 is provided below:

Discounted cash flow approach	2022
Inflation rate	**2.5 – 5.0%**
Vacancy rate	**7.0%**
Discount rate	**8.5%**

In 2022, the investment property generated rental income of $1,658 (2021 - $1,285). Direct operating expenses recognized in the consolidated statement of profit or loss were $887 (2021 - $637).

December 31, 2022
in thousands of Canadian dollars

16. INTANGIBLE ASSETS

2022 $	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	**1,848**	**22,512**	**24,360**
Additions	**-**	**6,235**	**6,235**
Disposals	**(220)**	**-**	**(220)**
Ending balance as at December 31	**1,628**	**28,747**	**30,375**
Accumulated amortization			
Balance as at January 1	**957**	**2,683**	**3,640**
Amortization charges	**173**	**2,559**	**2,732**
Disposals	**(220)**	**-**	**(220)**
Ending balance as at December 31	**910**	**5,242**	**6,152**
Carrying value as at December 31	**718**	**23,505**	**24,223**

2021 $	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	8,686	2,768	11,454
Additions	4,313	26,945	31,258
Disposals	(1,754)	(4,485)	(6,239)
Reclassification to assets held for sale [note 29]	(9,397)	(2,716)	(12,113)
Ending balance as at December 31	1,848	22,512	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 29]	(3,781)	(276)	(4,057)
Ending balance as at December 31	957	2,683	3,640
Carrying value as at December 31	891	19,829	20,720

in thousands of Canadian dollars

17. INCOME TAXES

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

	2022 $	2021 $
Deferred income tax recovery on continuing operations		
Origination and reversal of temporary differences	**(4,874)**	(3,873)
	(4,874)	(3,873)
Current income tax expense on discontinued operations [note 30]		
Current tax on income for current year	**488**	13,856
Current tax from adjustments for prior years	**-**	(115)
	488	13,741
Deferred income tax (recovery) expense on discontinued operations [note 29]		
Origination and reversal of temporary differences	**(7,779)**	15,508
Deferred tax from adjustments for prior years	**-**	55
Impact of tax rate changes	**-**	1
	(7,779)	15,564
	(12,165)	25,432

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

	2022 $	2021 $
Deferred income tax (recovery) expense on continuing operations		
Net unrealized losses on FVTOCI securities	**(1,006)**	(576)
Reclassification of gains on FVTOCI securities to profit or loss	**7**	(3)
Own credit risk reserve	**850**	1,131
	(149)	552
Current income tax recovery on discontinued operations	**-**	(5,603)
	(149)	(5,051)

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:

	2022 $	2021 $
Income tax expense	**(12,314)**	20,381

in thousands of Canadian dollars

17. INCOME TAXES (continued)

Reconciliation of income tax recovery from continuing operations:

	2022 $	2021 $
Combined federal and provincial income tax rate applied to (losses) income from continuing operations (2022 – 27%; 2021 – 27%)	**(4,424)**	(3,356)
Income tax (recovery) expense adjusted for the effect of:		
Non-taxable dividend income	**-**	(77)
Expenses not deductible for tax purposes	**(466)**	12
Tax not recorded on equity pickup of controlled affiliate	**(44)**	-
Reduction in income tax due to payment of dividends	**26**	(606)
Amounts taxed at other than general income tax rate	**34**	(69)
Other	**-**	223
Income tax recovery on continuing operations	**(4,874)**	(3,873)

The income tax recovery on continuing operations. excludes the tax recovery from the discontinued operations of $4,982. This has been included in 'profit from discontinued operations, net of tax' in the consolidated statement of profit or loss (see note 29 and 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.

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 22% (2021 - 19%) for SaskCentral and nil% (2021 - 27%) for Concentra Bank. The movement in deferred income tax asset (liability) is as follows:

	2022 $	2021 $
Balance, beginning of year	**12,108**	8,205
Recognized in profit or loss	**(1,804)**	3,873
Recognized in OCI:		
FVTOCI securities:		
Fair value measurement	**1,006**	576
Transfer to profit or loss	**(7)**	3
Own credit risk reserve	**(850)**	(1,131)
Reclassification to assets held for sale, net of liabilities	**-**	582
Balance, end of year	**10,453**	12,108

in thousands of Canadian dollars

17. INCOME TAXES (continued)

The components of deferred income taxes are as follows:

	2022 $	2021 $
Deferred income tax assets		
Non capital loss carryforward	**16,632**	18,625
Loans	**-**	13,257
Accounts payable and deferred revenue	**40**	103
Losses not yet deductible for tax purposes	**45**	56
Other	**-**	725
Reclassification to assets held for sale [note 29]	**-**	(13,972)
	16,717	18,794
Deferred income tax liabilities		
Securities	**(5,478)**	(5,875)
Investments in subsidiaries	**-**	(13,969)
Securitization liabilities	**-**	(13,241)
Property, plant and equipment	**(786)**	(2,249)
Other	**-**	(1,466)
Reclassification to liabilities associated with assets held for sale [note 29]	**-**	30,114
	(6,264)	(6,686)
Net deferred income tax asset	**10,453**	12,108

Net deferred income taxes are anticipated to be realized as follows:

	2022 $	2021 $
Net deferred income taxes asset (liability):		
Within 12 months	**-**	13,969
After more than 12 months	**10,453**	(1,861)
Net deferred income tax asset	**10,453**	12,108

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 $61,598 (2021 - $68,986) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the years 2032 ($477), 2037 ($17,958), 2038 ($18,007), 2040 ($9,844) and 2041 ($15,312). A deferred tax asset has been recognized in respect of $16,632 (2021 - $18,625) of such losses. The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

In evaluating the ability to realize the related tax benefit on the deferred income tax assets, SaskCentral considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, management begins with historical results adjusted for the results of discontinued operations and incorporates assumptions related to the amount of future state pre-tax operating income adjusted for items that do not have tax consequences. The future state operating income also considers expected earnings from agreements for the provision of payments processing and related services. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates SaskCentral uses to manage the underlying operations.

in thousands of Canadian dollars

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:

2022 $

		Term to maturity					
	Effective rate [1]	**On demand**	**Within 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**No fixed maturity**	**Total**
Amortized cost							
Member deposits	**0.49%**	**202,763**	**-**	**-**	**-**	**-**	**202,763**
Designated at FVTPL							
Provincial liquidity program [2]	**2.90%**	**-**	**144,492**	**412,111**	**988,724**	**909,813**	**2,455,140**
		202,763	**144,492**	**412,111**	**988,724**	**909,813**	**2,657,903**
Accrued interest							**6,639**
							2,664,542

[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, 2022 is equal to $2,507,911 resulting in cumulative unrealized gains on these deposits of $52,771.

2021 $

		Term to maturity					
	Effective rate [1]	**On demand**	**Within 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**No fixed maturity**	**Total**
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 29]							(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.

in thousands of Canadian dollars

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 2022 year-end (2021 – $nil).

Lines of credit

SaskCentral has a credit facility with Central 1 for $100,000 (2021 - $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 (2021 - $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% (2021 – banker's acceptance rate plus 0.45%).

Notes payable

SaskCentral is authorized to issue a maximum of $300,000 (2021 - $800,000) under a commercial paper and the bearer Deposit Note (BDN) program. Outstanding notes payable matures within one month (2021 – one month). The weighted average effective interest rate of these items is 4.55% (2021 – 0.57%).

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 (2021 – $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			
			Fair value		**Carrying value**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**	**$**	**$**
Repurchase payable	**-**	-	**-**	-	**-**	-
Lines of credit	**-**	-	**282,479**	536,315	**288,968**	532,558
Notes payable	**29,954**	194,257	**-**	-	**-**	-
	29,954	194,257	**282,479**	536,315	**288,968**	532,558
Reclassification to liabilities associated with assets held for sale [note 29]	**-**	(164,259)	**-**	(310,680)	**-**	(309,639)
	29,954	29,998	**282,479**	225,635	**288,968**	222,919

in thousands of Canadian dollars

20. OTHER LIABILITIES

	2022 $	2021 $
Servicing liabilities [note 12]	-	14,945
Deferred revenue	-	97
Allowance for undrawn commitments [note 11]	-	777
Lease liabilities	**154**	5,096
	154	20,915
Reclassification to liabilities associated with assets held for sale [note 29]	-	(20,608)
	154	307

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 member credit unions to maintain mandatory membership share capital equal to a percentage of their previous year's assets, as determined by the Board. The percentage shall not be less than 0.01% and not more than 1.0%. The mandatory membership share capital level in 2022 was set at 0.64% of 2021 year ending assets (2021 – 0.64%).

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, 2022, 17,568,755 Class A membership shares (2021 – membership shares of 17,526,177) were issued and outstanding. Membership shares issued during the year were exchanged for cash.

in thousands of Canadian dollars

21. SHARE CAPITAL (continued)

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.

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 2022, dividends of $291,825 (2021 - $5,063) were declared, as approved by the Board. Of the amount recognized in 2022, on December 6, 2022, the Board approved payment of a dividend of $1,225 to be paid to credit unions on January 13, 2023, and a payment of a dividend of $290,600 to be paid to credit unions on February 3, 2023.

23. NET INTEREST INCOME

	2022 $	2021 $
Interest income		
Financial assets measured at amortized cost	**4,226**	827
Financial assets measured at FVTOCI	**5,235**	2,387
Financial assets measured at FVTPL	**2,525**	2,000
Financial assets designated at FVTPL	**43,785**	25,643
	55,771	30,857
Interest expense		
Financial liabilities measured at amortized cost	**1,162**	132
Financial liabilities designated at FVTPL	**42,814**	25,102
	43,976	25,234
Net interest income	**11,795**	5,623

in thousands of Canadian dollars

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.

	2022 $	2021 $
Assessment revenue		
Services transferred over time		
Liquidity management assessment	**6,088**	5,123
	6,088	5,123
Fee for service revenue		
Services transferred at a point in time		
Deposit and lending education	**-**	369
Payment Processing Fees	**11,404**	11,782
	11,404	12,151
Services transferred over time		
Consulting	**25**	4,368
Management oversight	**147**	1,248
Payment Processing Fees	**1,247**	660
Other revenue		
Tenant revenue	**1,608**	1,494
Parking revenue	**261**	173
Foreign exchange (expense) revenue	**90**	(34)
Miscellaneous revenue	**30**	52
	3,408	7,961
	14,812	20,112

On July 1, 2022, SaskCentral disposed of its National Consulting line of business and this line of business was considered held for sale as disclosed in note 30. The services offered by National Consulting include deposit and lending education, certain consulting services and management oversight services. The revenue related to these services is included within profit for the year from discontinued operations in the consolidated statement of profit or loss.

25. SALARY AND EMPLOYEE BENEFITS

SaskCentral contributes annually to a defined contribution pension plan for employees. During the year, SaskCentral contributed $606 (2021 - $423) 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.

in thousands of Canadian dollars

25. SALARY AND EMPLOYEE BENEFITS (continued)

Due to COVID-19, the Government of Canada implemented the COVID-19 Economic Response Plan. Under the plan SaskCentral was eligible for the Canada Emergency Wage Subsidy (CEWS). The subsidy supported eligible Canadian businesses impacted by COVID-19. The program was divided into 21 four week periods. To be eligible for the first period businesses needed to demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses needed to demonstrate eligible revenue reduction of greater than 30%. For the remaining periods, a sliding scale based on overall revenue reduction in each period was used. SaskCentral recorded a wage subsidy of $nil (2021 - $894) under the CEWS program. SaskCentral has recognized the subsidy as a reduction in salaries.

26. LOSS ON FINANCIAL INSTRUMENTS

	2022	**2021**
	$	**$**
Realized (losses) gains arising on financial assets measured as at FVTOCI	**(28)**	11
Unrealized (losses) gains arising on financial assets measured at FVTPL	**(2,082)**	1,849
Realized gains arising on financial assets measured at FVTPL	**105**	-
Unrealized losses arising on financial assets designated as at FVTPL	**(52,111)**	(29,847)
Realized gains arising on financial assets designated as at FVTPL	**841**	158
Unrealized gains arising on financial liabilities designated as at FVTPL	**51,092**	29,059
Reclassification of net change in fair value on financial liabilities designated as at FVTPL from profit or loss to OCI (own credit risk reserve)	**(3,147)**	(4,190)
	(5,330)	(2,960)

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 PPJV is not disclosed below.

in thousands of Canadian dollars

27. 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 consolidated financial statements for SaskCentral and its subsidiaries:

	2022 $	2021 $
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	**8,244**	1,361
Due from included in trade and other receivables	**242**	204
Due to included in trade and other payables	**169**	2,217
Interest received from	**234**	44
Fee for service revenue received from	**1,253**	1,429
Technology services paid to	**8,390**	15,298

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:

	2022 $	2021 $
Directors		
Salaries and other short-term employee benefits	**99**	819
Post-employment and other long-term benefits	**5**	5
	104	824
Key management personnel		
Salaries and other short-term employee benefits	**2,942**	8,077
Post-employment and other long term benefits	**248**	1,398
Termination benefits	**235**	1,451
	3,425	10,926
	3,529	11,750

At December 31, 2022, certain directors and key management were indebted to SaskCentral for an amount totaling $181 (2021 - $692) and held deposits at SaskCentral totaling $nil (2021 - $444). 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.

in thousands of Canadian dollars

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:

	2022 $	2021 $
Lines of credit and loan commitments		
Loans at amortized cost		
Original term to maturity of one year or less	**581,349**	891,612
Original term to maturity of more than one year	-	463,992
Loans at FVTPL		
Original term to maturity of more than one year	-	68,000
	581,349	1,423,604
Letters of credit and guarantees		
Original term to maturity of one year or less	-	15,228
Original term to maturity of more than one year	-	21,409
	-	36,637
Uncalled funding commitments for investments	**7,740**	39,916
Reclassification to commitments associated with assets held for sale	-	(920,213)
	589,089	579,944

Contractual commitments

As of December 31, 2022, SaskCentral has contractual commitments with varying terms over 5 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 $49,045.

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

	Total
Less than one year	**7,526**
One to five years	**27,253**
Five years and thereafter	**17,857**
	52,636

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.

in thousands of Canadian dollars

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. DISPOSAL OF SUBSIDIARY

Concentra Bank

On November 1, 2022, SaskCentral disposed of its entire investment in Concentra Bank, including Concentra Trust to Equitable Bank. Concentra Bank owns 100% of the common shares of Concentra Trust. No investment was retained in Concentra Bank. The disposal is consistent with SaskCentral's long-term business plan. The initial purchase consideration, net of transaction costs, of $409,806 was received in cash on November 1, 2022. The purchase price consideration is subject to final closing purchase price adjustments. The gain on disposal is included in the profit for the year from discontinued operations.

SaskCentral is currently in confidential discussions with Equitable Bank with respect to the final purchase price adjustments, which could result in a repayment related to the adjusted purchase price of up to $33,535. Management expects the confidential discussions to be resolved through arbitration. SaskCentral cannot reasonably predict the outcome of arbitration.

Prior to November 1, 2022, Concentra Bank was consolidated into these financial statements. The consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations. The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2022 **$**	**2021** **$**
Revenue	**-**	145,894
Expenses	**-**	88,658
Profit before tax	**-**	57,236
Attributable tax expense	**-**	29,305
Profit (loss) from discontinued operations, net of tax	**-**	27,931
Gain on sale of discontinued operations	**8,681**	-
Income tax recovery on sale of discontinued operations	**7,779**	-
Gain on sale of discontinued operations, net of tax	**16,460**	-
Income attributable to:		
Owners of SaskCentral	**16,460**	17,625
Non-controlling interest	**-**	10,306

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

in thousands of Canadian dollars

29. DISPOSAL OF SUBSIDIARY (continued)

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.

The following table provides a continuity of non-controlling interest:

	2022 $	2021 $
Balance at beginning of year	**184,679**	182, 043
Comprehensive income attributable to non-controlling interest for the year	-	7,873
Dividends	-	(5,237)
Adjustment arising from disposal of interest in subsidiary	**(184,679)**	
Balance at end of year	-	184,679

The following table provides the effect of the disposal on SaskCentral's balance sheet:

	2022 $
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**
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**
Consideration received, satisfied in cash	**409,806**
Cash and cash equivalents disposed of	**(181,809)**
Net cash inflows	**227,997**

in thousands of Canadian dollars

30. DISPOSAL OF LINE OF BUSINESS

On July 1, 2022, SaskCentral disposed of its National Consulting line of business. The disposal is consistent with SaskCentral's long-term business plan. The services offered by National Consulting include deposit and lending education, certain consulting services and management oversight services. The proceeds on disposal of $967 were received in cash.

The consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations. The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2022	**2021**
	$	**$**
Revenue	**2,077**	5,725
Expenses	**1,234**	3,966
Profit before tax	**843**	1,759
Attributable tax expense	**228**	475
Profit (loss) from discontinued operations, net of tax	**615**	1,284
Gain on sale of discontinued operations	**967**	-
Income tax on gain on sale of discontinued operation	**261**	-
Gain on sale of discontinued operations, net of tax	**706**	-
Income attributable to:		
Owners of SaskCentral	**1,321**	1,284
Non-controlling interest	**-**	-

The cumulative loss included in AOCI relating to the disposal group is $nil (2021 - $nil).

The following table provides the effect of the disposal on SaskCentral's balance sheet:

	2022
	$
Assets held for sale	
Cash and cash equivalents	**727**
Trade and other receivables	**10**
Property, plant and equipment	**10**
Other assets	**256**
Total assets classified as held for sale	**1,003**
Liabilities associated with assets held for sale	
Trade and other payables	**10**
Other liabilities	**993**
Deferred income tax liabilities	**489**
Total liabilities associated with assets held for sale	**1,492**
Net assets of disposal group	**(489)**
Consideration received, satisfied in cash	**967**
Cash and cash equivalents disposed of	**(727)**
Net cash inflows	**240**

31. SUBSEQUENT EVENT

In February 2023, SaskCentral listed for sale the Regina commercial office building and corresponding land with a carrying value of $13,026 at December 31, 2022 for a value, net of estimated costs to sell of $19,110. SaskCentral has received offers for purchase subsequent to the reporting period. Management is currently assessing the financial impact of these offers and therefore, cannot determine the impact of these offers at this time. The sale is expected to be completed in 2023.