SASKCENTRAL

SaskCentral Annual Report

2020

CONTENTS

OUR VISION

Connecting Saskatchewan credit unions to the global financial network.

OUR PURPOSE

We lead wholesale services and transformation necessary for vibrant and sustainable credit unions.

OUR VALUES

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

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

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

- Honesty
- Openness
- Social responsibility
- Caring for others

LETTER FROM THE CHAIR AND THE CEO

Over the past year, we have faced unprecedented challenges, operating in an environment we have never before experienced. It was March 2020 when we began to feel the local impact of a global pandemic that triggered not only a health crisis, but also a financial crisis, with emergency response protocols and restrictions interrupting the normal way of life.

At SaskCentral, we were fortunate to be well equipped to respond to COVID-19, with a newly-updated Crisis Management Plan and a modern, secure technology infrastructure that enabled a swift transition of our workforce to a virtual work-from-home environment.

We were also well positioned with a business model and investment policies that allowed us to focus on ensuring continuity of operations and maintaining service to credit unions, without any major shifts in business decisions.

Throughout the year, our staff and our credit unions demonstrated the resiliency that is core to our history. While there have been impacts, we weathered the storm well and we were able to remain committed to supporting the success of credit unions with a progressive Business Plan, including goals and strategies critical to navigating the rapidly evolving financial services environment.

Our 2020 strategic goals, future-focused and requiring a multi-year process to achieve, are key to ensuring SaskCentral is providing credit unions with the support they need to remain competitive in the global financial network:

- Modernized statutory liquidity function with improved efficiency and effectiveness for credit unions.
- Effective and efficient payments, clearing and settlement for credit unions.
- Alignment of strategic investments to optimize capital and value of services.
- Relevant, future-focused core and discretionary services for credit unions.
- SaskCentral financial sustainability and governance reform.

While the timing and execution of some work towards achievement of these goals was challenged due to the pandemic, we were able to stay the course and reach most targets set out for 2020. (For full details, see the Strategy section of this report.)

Highlights include:

- Completing legal agreements to access a new liquidity tool from the Bank of Canada.
- Developing a new liquidity management tool for Saskatchewan credit unions.
- Developing a transition plan to implement recommendations for the optimum level of statutory liquidity.
- Participating in the Prairie Payments Initiative to transition credit unions to a new Payments as a Service (PaaS) platform.
- Evolving our Strategic Investment Management (SIM) framework and reporting of shareholder priorities.
- Evolving our business model and funding methods for core and discretionary services to align to our strategic direction.
- Meeting or exceeding most targets for financial measures.

LETTER FROM THE CHAIR AND THE CEO

At the heart of achieving all our goals is our employees. In 2020, their health and safety were a top priority as we focused on supporting our staff and their families through COVID-19, communicating and engaging frequently and transparently, and developing a cautious approach to our Return To Workplace plan.

We also worked to maintain our traditional positive and productive culture, achieving 87.2% in our annual Engagement survey, and we launched an initiative to ensure we have a workforce equipped with the structure, talent and tools to position us for success.

The credit union sector not only remained strong, but also continued to grow despite the challenges of the past year. Saskatchewan credit unions had assets totaling $26.5 billion, an increase of $1.8 billion over 2019, and a membership of more than 486,000, 4,000 more than the prior year.

As we look to 2021 and beyond, the challenges will continue with ongoing technological advancements, increased regulation, and heightened consumer expectation. Credit unions will continue to respond with the changes needed to remain relevant and best serve their members, and SaskCentral will evolve as well as it continues its evolution "to lead wholesale services and transformation necessary for vibrant and sustainable credit unions."

That future includes new leadership as Keith Nixon retired as CEO at the end of February 2021, after 40 years of serving credit unions in a variety of capacities.

"It was a privilege to serve as CEO for the past eight years and help guide the transformational journey of SaskCentral," says Nixon. "While there's certainly more to do, I'm very proud of the accomplishments we've achieved together."

Shawn Good was appointed as the new CEO on January 4, 2021, bringing 25 years of financial services experience to the CEO role. Shawn held various senior level positions within credit unions across Canada, including Conexus Credit Union and, most recently, Prospera Credit Union where he initiated one of the largest merger and acquisition transactions in Canadian credit union history.

"We welcome Shawn as our new CEO," says Mark Lane, Chair of the SaskCentral Board of Directors. "He exemplifies the courageous leadership needed to lead SaskCentral during this time of evolution and opportunity, and to act as an advocate for change to ensure Saskatchewan credit unions continue to thrive."

Keith Nixon,
CEO

Mark Lane,
Chair

CORPORATE PROFILE

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

CORPORATE PROFILE

Liquidity Management

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

Statutory Liquidity Deposits

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

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

Clearing and Settlement

The movement of funds between financial institutions is known as clearing and settlement. This process occurs daily at three levels – the credit union level, the provincial level, and the national level.

The PPJV manages the daily clearing and settlement operations for credit unions. Settlement operations include processing of paper-based deposits and clearings, cheque and document imaging, and electronic services such as automated funds transfers and wire transfers. Daily balances are cleared through SaskCentral; the net Saskatchewan cash flow is aggregated with other provinces and the Canadian net amount is settled with the Bank of Canada.

At the national level, Payments Canada sets the requirements for accessing the Bank of Canada and outlines roles and responsibilities. Credit union centrals are represented by one central, Central 1, which acts as the Group Clearer. A Group Clearing Joint Venture (GCJV) oversees the functioning of the Group Clearer and consists of representatives from Central 1, Alberta Central, SaskCentral and Credit Union Central of Manitoba (CUCM).

Through the GCJV, credit unions access Payments Canada's payments systems, the Large Value Transfer System and the Automated Clearing and Settlement System. Centrals pledge collateral to the Bank of Canada and, in return, the Bank of Canada issues a current account and a line of credit to facilitate the flow of funds to or from financial institutions.

Daily Cash Flow Management

SaskCentral offers several products and services to help credit unions manage daily cash flow requirements, including an overnight account, a line of credit, and cash services.

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

SaskCentral funds these products and services by using a variety of funding tools. Repurchase agreements allow SaskCentral to generate cash by selling securities to major Canadian banks with the agreement to repurchase within days. The commercial paper program allows SaskCentral to issue short-term securities to generate cash. In addition, SaskCentral maintains a line of credit with a major Canadian bank and has access to the Bank of Canada's Standing Term Liquidity Facility (STLF).

CORPORATE PROFILE

Emergency Liquidity Support

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

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

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

Concentra Bank

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

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

National Consulting Services

SaskCentral's highly specialized consultants offer a wide range of services so credit unions can focus on their members. The SaskCentral National Consulting team supports credit unions in creating, designing and implementing sustainable solutions.

Consulting services include:

- **Anti-Money Laundering Compliance Support**
  Helps credit unions navigate the changing landscape of Anti-Money Laundering and Terrorist Financing Compliance in a customizable and cost effective way.

- **Banking and Related Services**
  Assists credit unions with contract negotiations, obtaining legal reviews, invoicing, and monitoring service levels for the eroWORKS® Retail Banking Solutions.

- **Card Issuance Services**
  Provides support and management services to credit unions using Everlink Card Issuance for Member Card® debit card production; includes assistance with billing, card inventory, debit card carrier letters and PIN station compliance.

- **Deposit & Lending Compliance**
  Provides credit unions with reliable and comprehensive legislative and compliance support of deposit and lending products.

- **Digital Banking Services**
  Positions credit unions to offer the latest digital banking solutions by providing business management services, support and oversight.

- **Fraud Management**
  Provides leadership in coordinating, developing and delivering fraud awareness information, enhancing the credit union's ability to effectively manage fraud.

- **Internal Audit**
  Supports credit unions with effective internal audit services customized specifically for credit unions.

- **Operational Training**
  Provides educational sessions designed to equip frontline staff with the skills to be successful in today's competitive environment.

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

- **Strategic Planning & Risk Management**
  Helps credit unions with effective planning and risk management using an integrated framework that is customized and scalable to the credit union's needs.

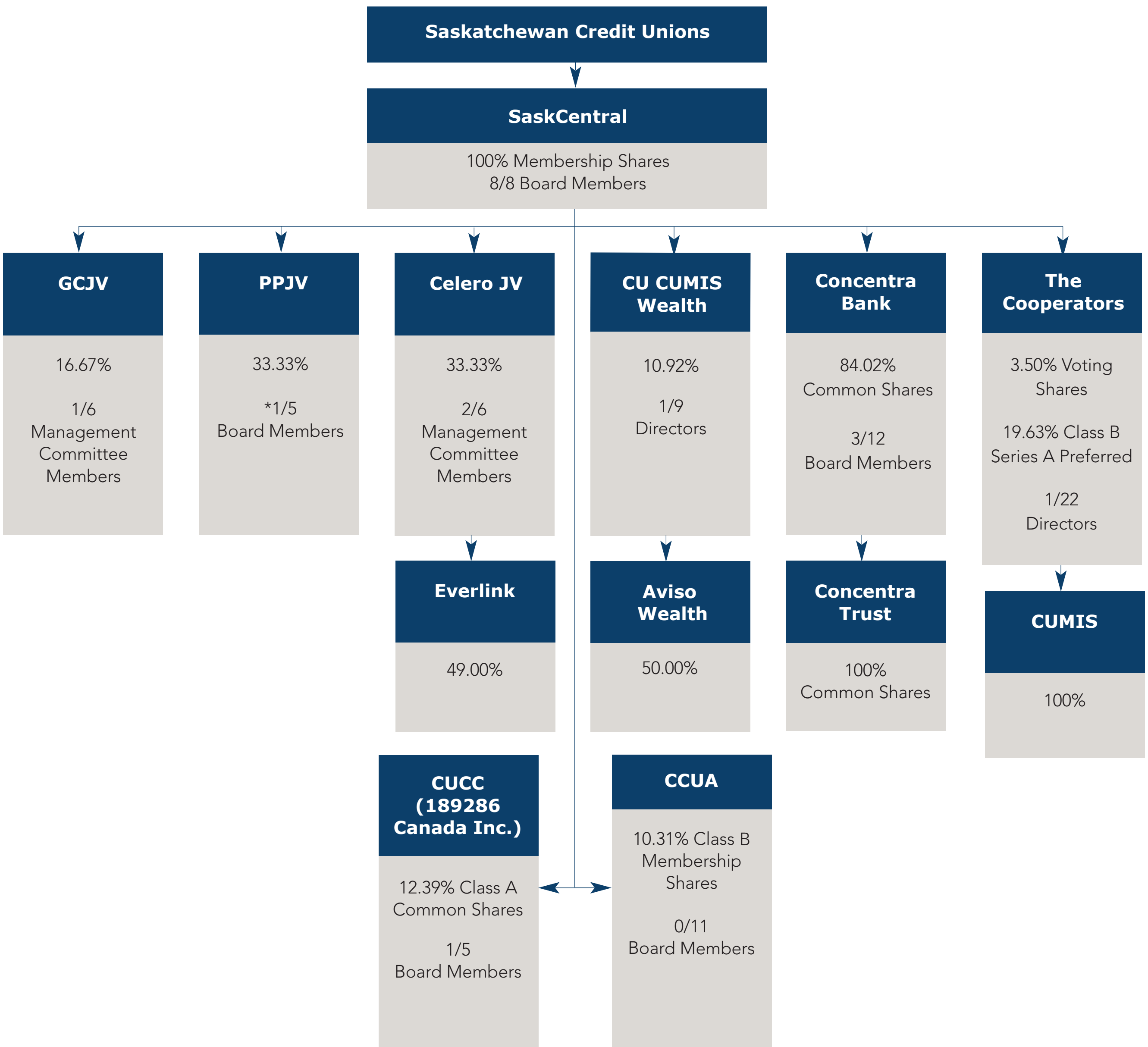
Member Relations

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

CORPORATE PROFILE

Strategic Partners

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



*SaskCentral maintains 33.33% ownership and through this ownership the SaskCentral Board has ratified E. Dillon as the system appointed representative. D. Blahun's role is an Executive Resource to the PPJV Board.

Concentra Bank
Share ownership by SaskCentral: 84.0%

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

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

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

PPJV
Share ownership by SaskCentral: 33.3%

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

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

Prior to the establishment of the PPJV, CUPS, a joint venture of SaskCentral and Alberta Central, provided aggregated payment processing, clearing and settlement functions to credit unions. CUPS services were migrated to the PPJV in 2020.

Celero Solutions
Share ownership by SaskCentral: 33.3%

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

CUC Wealth
Share ownership by SaskCentral: 10.9%

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

The Co-operators Group Limited
Share ownership by SaskCentral: 3.5%

The Co-operators is a 100% Canadian-owned and operated company insuring over 2 million people Canada wide. Its member owners are co-operatives, credit unions and like-minded organizations, representing a variety of sectors and regions across the country. The Co-operators supports and funds the development of community oriented co-operatives and social enterprises, and works to contribute to communities across Canada.

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

Canadian Credit Union Association (CCUA)
Share ownership by Saskatchewan Credit Unions (Class A): 17.0%
Share ownership by SaskCentral (Class B): 10.3%

CCUA is the national trade association that provides services to Canada's credit unions, caisses populaires (outside Quebec), and regional credit union central organizations. CCUA is the first national credit union governed organization in Canada and works on behalf of its members in three key areas:

- *Advocate* for legislation that supports credit unions
- *Raise Awareness* for credit unions with government, media and the public
- Deliver expert *Insights* to credit unions to inform their strategies

CUCC (legal name 189286 Canada Inc.)
Share ownership by SaskCentral: 12.4%

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

GCJV
Joint venture participation by SaskCentral: 16.7%

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

Business Models

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

Governance

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

Saskatchewan credit unions are represented on Concentra's Board and Celero's management committee. SaskCentral's CEO sits on Celero's management committee as a representative for SaskCentral, and SaskCentral's executive are engaged with Concentra through management meetings and participation in joint working groups.

SaskCentral's CFO sits on the CUC Wealth Holdings Board. SaskCentral's CPO is an Executive Resource to the PPJV Board. SaskCentral's Board has ratified E. Dillon as the system appointed representative to the PPJV Board. Together, these representations provide opportunities to engage strategic investees where credit union concerns are identified (e.g., service, profitability). SaskCentral provides updates to the board on investees' performance. Occasionally, investees present to the SaskCentral board at quarterly board meetings.

How Investee Earnings Are Distributed to Credit Unions

PPJV: Net earnings are included in income available for distribution in SaskCentral's dividend.

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

Concentra Bank: Net earnings or losses are retained by SaskCentral through an equity position and are not distributed to credit unions. Concentra's cash dividend is flowed through to credit unions when received.

Celero Solutions: Net earnings or losses, excluding Everlink, are settled with SaskCentral following year-end. Celero's earnings or losses are flowed through to credit unions through a distribution model based on usage, and are not included in SaskCentral's dividend.

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

Central 1: SaskCentral has invested $7 million in subordinated debt with Central 1 for the purpose of capitalizing the GCJV to support clearing and settlement activities. Subordinated debt interest is included in income from core operations.

EXECUTIVE TEAM

Shawn L. Good, CEO

- Joined SaskCentral: January 4, 2021
- 25 years financial services and credit union experience
- Past Employers: Prospera Credit Union, Conexus Credit Union, Good Direction Consulting, Kindred Credit Union
- Executive MBA, Queen's School of Business
- ICD.D designation from the Institute of Corporate Directors
- Member: Celero Joint Venture, CUCC Services Board of Directors

Keith Nixon, CEO

- Joined SaskCentral: 1987 (Retired February 28, 2021)
- 40 years in the credit union system
- ICD.D designation from the Institute of Corporate Directors
- Fellows designation from the Credit Union Institute of Canada
- Certificate in Administration, University of Regina
- Member: CUCC Services Board of Directors, Celero Joint Venture, CUPS Payment Services Joint Venture management committee

Sheri Lucas, EVP Finance, CFO, CRO

- Joined SaskCentral: 2007
- Past employers: Saskatchewan Wheat Pool, Crown Investments Corporation of Saskatchewan
- CPA, CA designation
- ICD.D designation from the Institute of Corporate Directors
- Bachelor of Commerce, University of Saskatchewan
- Alumnus of Canada's Women Executive Network, 100 Most Powerful Women in Canada
- Board member: CUC Wealth Holdings Ltd., Group Clearer Joint Venture

Duane Blahun, EVP and Chief People Officer

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

SASKATCHEWAN CREDIT UNION PERFORMANCE

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

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

SASKATCHEWAN CREDIT UNION PERFORMANCE

FACTS

- As of January 1, 2021, there were 36 credit unions in Saskatchewan serving 208 communities through 234 service outlets.
- Out of 1.178 million people in Saskatchewan (Statistics Canada estimate at Q4 2020), more than 486,000 are members of a credit union, and an additional 72,000 non-members do business with a credit union, which combined is more than 47%.
- In 2020, Saskatchewan credit unions had assets of $26.5 billion with revenue of more than $1.04 billion.
- Credit unions contribute approximately $600 million in economic impact to Saskatchewan annually and, in 2020, employed close to 3,300 people, providing salaries and benefits close to $308 million.
- In 2020, provincial credit union lending amounts were more than $19.3 billion. Saskatchewan credit unions maintain approximately 42% of the SME market and are a critical source of loans and mortgages for small and medium sized business.
- In 2020, Saskatchewan credit unions returned over $6.07 million to their members in the form of patronage equity contribution and dividends.
- On average, credit unions in Saskatchewan donate more than 4% of pre-tax income in charitable contributions to local community organizations, well above the recognized banking industry standard of 1% or less.
- In the annual 2020 Ipsos® Financial Service Excellence Awards, credit unions were ranked 1st among all financial institutions in providing Customer Service Excellence for the 16th year in a row.

STRATEGY

SaskCentral translates our strategic direction – including, among other things, our Vision and Purpose – into goals, measures and targets. The goals represent our desired outcomes or results, and what success looks like. The measures and targets indicate progress towards achieving those goals and, ultimately, our Vision.

1. Goal: Modernized statutory liquidity function with improved efficiency and effectiveness for credit unions

Statutory liquidity management and credit facilities is one of SaskCentral's core services. This function supports credit union system safety and financial stability, and requires SaskCentral to maintain adequate and appropriate forms of liquidity, and adequate capital.

Beyond managing the statutory liquidity function, SaskCentral is working to modernize it. This includes right sizing the amount that credit unions should contribute and the requirements for managing, throughout and after implementation of Payments Canada modernization, a complex, multi-year initiative to modernize Canada's payments system.

The COVID-19 pandemic impact led to both limitations and opportunities in modernizing the statutory liquidity function. SaskCentral maintained focus on the goal and intent, and adjusted the approach to take advantage of opportunities.

In 2020, we:

- Established the Standing Term Liquidity Facility (STLF), a new liquidity tool launched by the Bank of Canada in response to the market crisis created by the pandemic. It provides financial institutions facing liquidity stress with access to central bank liquidity. This means SaskCentral has access to credit facilities with the Bank of Canada, the lender of last resort, and puts credit unions on an equal footing with the banks.
- Introduced the Short Term Repo Facility, a new credit facility providing an alternative liquidity management tool for Saskatchewan credit unions.
- Developed a transition plan to implement recommendations for the optimum level of statutory liquidity.

2. Goal: Effective and efficient payments, clearing and settlement for credit unions

The second of SaskCentral's three core services is payments, clearing and settlement. SaskCentral has provided access to payments transaction processing through CUPS, and provides clearing and settlement to member credit unions through the Group Clearing Joint Venture. In response to Payments Canada Modernization, this environment is changing.

Under the Prairie Payments Initiative (PPI), credit unions are transitioning to IBM's Payments as a Service platform through the Prairie Payments Joint Venture (PPJV). This will replace the role and functions of CUPS, enabling future-focused payments technology capabilities and infrastructure that will deliver innovative and modernized services.

SaskCentral is participating in the PPI to ensure credit unions are positioned favourably from a competitive and efficiency perspective.

In 2020, we:

- Established and operationalized the PPJV. Effective January 1, 2021, the PPJV assumed governance oversight of legacy entities, CUPS and Credit Union Central of Manitoba banking and payments.
- Progressed on PPI transition and migration planning for credit unions.

3. Goal: Alignment of strategic investments to optimize capital and value of services

The third of SaskCentral's three core services is stewardship of credit union cumulative capital allocated to strategic investments. SaskCentral holds these investments with the expectation that they deliver value and benefit by providing financial returns or access to products and services needed by credit unions.

SaskCentral uses its Strategic Investment Management Framework to guide implementation of strategic direction within our investment portfolio, including identifying shareholder priorities. In 2020, we evolved and improved upon the framework, as well as analysis and reporting of shareholder priorities, based on determined priority level of each strategic investment.

In 2020, we:

- Completed the transition of CCUA to direct credit union membership and governance.
- Advanced shareholder priorities on various other strategic investments through board approved resolutions.

4. Goal: Relevant, future-focused core and discretionary services for credit unions

We exist to serve Saskatchewan credit unions, and both the core and discretionary services we provide must be of value to them. The services must also have relevance and compliance with our guiding principles – specifically user pay, self-determination and transparency – and have appropriate pricing and funding methods.

Our dues assessment was eliminated and replaced with a significantly lower Credit Union System Support Assessment. Both assessments are associated with a trade association funding model which is no longer appropriate for SaskCentral. Our business model must also align to the strategic direction and desired future state of the organization to support wholesale core services.

Foundational to achieving all our goals is a productive culture with a highly engaged workforce equipped with the talent and tools to position us for success.

In 2020, we:

- Determined long term funding and delivery solutions for services that were funded through the Credit Union Systems Support Assessment, giving credit unions more choice in the services they purchase.
- Developed a future focused business strategy for National Consulting to align with SaskCentral's transforming business model, and optimize the delivery of relevant, sustainable and valuable services to credit unions.
- Successfully pivoted to remote delivery for many National Consulting services to adjust to the COVID-19 environment.
- Began an internal organizational design initiative to ensure all aspects of our workforce (culture, structure, people processes) are aligned to achieve our future state strategy.

5. Goal: SaskCentral financial sustainability and governance reform

As SaskCentral implements change to better serve Saskatchewan credit unions, we must maintain financial sustainability as an organization and continue to focus on complying with regulation. We also need to transform governance at SaskCentral to align to our future state.

In 2020, we:

- Met or exceeded financial targets as follows:
  Core Earnings:
  Target ($000): 800 – 2,000
  Actual ($000): 2,255
  Interest Margin on average equity-funded portfolio investments:
  Target (%): 2.35 – 2.70
  Actual (%): 2.46
  Operating Expenses:
  Target ($000): 17,500 – 19,000
  Actual ($000): 16,581
- Began assessing options for the most appropriate governance model and bylaw structure to support a transformed SaskCentral.

Best Workplaces™ Great Place To Work. CANADA 2020

SaskCentral is committed to ensuring an inclusive workplace where employees can enjoy a challenging and rewarding career with work-life balance. This commitment has played a major role in the success of the organization. In 2020, SaskCentral was again named as one of the Best Workplaces in Canada by the Great Place to Work® Institute Canada, coming in #44 for organizations with less than 100 employees and making the list for the 13th consecutive year.

CORPORATE GOVERNANCE

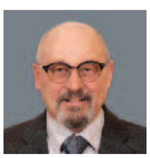
SaskCentral's corporate governance is anchored in the co-operative principle of democratic member control. Our governance model and co-operative structure differentiates Saskatchewan credit unions from other financial service organizations. Dedicated to our co-operative values, we work to ensure SaskCentral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

BOARD OF DIRECTORS

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

Mitchell Anderson

Elected to SaskCentral Board of Directors in 2014
Director, Affinity Credit Union
Term expires: 2022

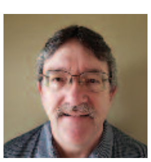


Gilles Colbert

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

Neil Cooper

Elected to SaskCentral Board of Directors in 2018
Chief Financial Officer, Conexus Credit Union
Term expires: 2021



Tim Goddard

Elected to SaskCentral Board of Directors in 2014
Past CEO, Rockglen-Killdeer Credit Union
Term expires: 2021

Doug Jones

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

Mark Lane, Chair

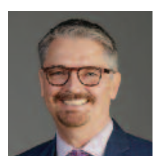
Elected to SaskCentral Board of Directors in 2013
CEO, Affinity Credit Union
Term expires: 2023

Kevin Lukey

Elected to SaskCentral Board of Directors in 2014
Retired CEO, Cornerstone Credit Union
Term expired: 2020

Annette Revet

Elected to SaskCentral Board of Directors in 2018
Chief Transformation Officer, Conexus Credit Union
Term expires: 2022



Russ Siemens

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

Board Charter and Director Profile

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

Compensation

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

CORPORATE GOVERNANCE

Director	Per Diem	Per Diem Paid to Organization	Honorarium	Honorarium Paid to Organization	Other compensation (Travel expenses)	Total
Mitchell Anderson	9,844	–	8,100	–	1,400	19,344
Gilles Colbert	8,813	–	8,100	–	1,685	18,598
Neil Cooper	–	6,200	–	8,100	16	14,316
Tim Goddard	8,718	–	8,100	–	1,844	18,662
Mark Lane	–	10,449	17,708	–	486	28,643
Kevin Lukey	2,145	–	2,700	–	696	5,541
Doug Jones	5,500	–	5,738	–	212	11,450
Annette Revet	–	6,950	–	8,100	18	15,068
Russell Siemens	10,883	–	16,400	–	4,183	31,466
Total:	$ 45,903	$ 23,599	$ 66,846	$ 16,200	$ 10,540	$ 163,088

Board Attendance	Meetings Attended
Mitchell Anderson	9/9
Gilles Colbert	9/9
Neil Cooper	9/9
Tim Goddard	9/9
Mark Lane	9/9
Kevin Lukey*	2/2
Doug Jones**	7/7
Annette Revet	9/9
Russ Siemens	9/9

*Ceased being a director on April 16, 2020
**Commenced being a director on April 16, 2020

Board Evaluation

Evaluations are periodically conducted to ensure board operations are efficient and adhere to the highest standards of integrity. In 2019, the board revised its development roadmap to provide for an on-going cycle of self-evaluations, board and committee evaluations and peer evaluations. As part of that, a Board and Committee Effectiveness Survey was conducted in winter 2020. As a result of the survey, the Board approved focusing on the following recommendations:

- to seek ways to enhance gender and skills diversity;
- to continue to enhance its policy review and oversight processes; and
- to enhance board succession practices.

The board maintains a director development policy aimed at providing resources to support ongoing personal development. In 2020, this policy was reviewed and the board performed the final assessment scheduled in the road map, with the peer to peer assessment to be completed in early 2021.

Code of Conduct

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

Whistle Blower Policy

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

CEO Position Description

The SaskCentral board maintains a written description of the position of the CEO, outlining the role, accountabilities and challenges of the position and providing a reference point for the development of the CEO's annual performance plan. The CEO position profile was reviewed and updated in 2020 to support the selection of the new CEO. A CEO performance plan is developed and evaluated based on the position description, business plan and balanced scorecard.

COMMITTEES

Audit and Risk Committee

Role:

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

	Meetings Attended
Mitchell Anderson (Chair)	4/4
Gilles Colbert	4/4
Neil Cooper	4/4
Mark Lane	3/3
Kevin Lukey	1/1
Doug Jones	3/3

Governance, Human Resources and Conduct Review Committee

Role:

- Monitors and oversees governance practices and processes used to support the board in carrying out its governance mandate, which is to direct and control the business affairs of SaskCentral.
- Reviews SaskCentral's human resources strategy and initiatives, human resources policies and programs, and oversees CEO performance management and compensation processes.
- Ensures related party transactions are identified, reviewed and dealt with in accordance with prudent business practices.
- Promotes ethical behaviours through SaskCentral's code of conduct.

	Meetings Attended
Tim Goddard	6/6
Mark Lane	4/4
Kevin Lukey (Past Chair)	2/2
Annette Revet (Chair)	6/6
Russ Siemens	6/6

CO-OPERATIVE SOCIAL RESPONSIBILITY

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

CO-OPERATIVE SOCIAL RESPONSIBILITY

It all adds up.

CREDIT UNIONS

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

In 2020, we continued to provide value to credit unions by managing our operating expenses to ensure the ongoing stability of operations.

EMPLOYEES

SaskCentral encourages and supports volunteerism among staff with a company policy allowing employees up to three paid days per year to serve in volunteer activities. Due to COVID-19, the number of people able to take advantage of this policy was lower than previous years; however, 12% of employees still donated 63 hours of their time.

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

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

COMMUNITY

As a co-operative, SaskCentral upholds the principle of giving back to the community. In 2020, the organization donated over $61,000 to local charities and non-profit organizations through financial contributions, volunteer hours and in-kind donations.

Employees were also encouraged to take advantage of SaskCentral's Building Communities Grant program, which allows each employee to name a charity or non-profit of their choice to receive a donation of $300. In 2020, we donated $22,500 to 40 Saskatchewan community organizations.

UNDERSTANDING SASKCENTRAL'S FINANCIAL STATEMENTS

In 2020, SaskCentral has again prepared two sets of financial statements in order to enhance transparency of its operations, support accountability and to offer two different views of SaskCentral's operations and results.

SASKCENTRAL'S SEPARATE FINANCIAL STATEMENTS

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

SASKCENTRAL'S CONSOLIDATED FINANCIAL STATEMENTS

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

- Financial results of subsidiaries (Concentra Bank and CUVentures LP).
- Financial results of SaskCentral's investments in associates using the equity method of accounting (Celero Solutions, CUC Wealth, Prairie Payments Joint Venture and Saskatchewan Entrepreneurial Fund Joint Venture).
- The proportionate financial results of SaskCentral's joint operation Credit Union Payment Services.

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

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

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

This section of the annual report provides the separate results of SaskCentral and should be read in conjunction with the audited separate financial statements and notes as at and for the year ended December 31, 2020. SaskCentral's separate financial statements do not consolidate the activities of its subsidiaries.

The separate financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is dated March 9, 2021 and provides comments regarding SaskCentral's financial and operating results, risk management, capital management and business outlook.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

COMPANY PROFILE

SaskCentral is the liquidity manager and key consulting service supplier for Saskatchewan credit unions. Through strategic leadership, liquidity management and a wide range of products and services, SaskCentral helps Saskatchewan credit unions meet their own targets for success. SaskCentral maintains business relationships with, and investments in, a number of co-operative entities, including Concentra Bank, Prairie Payments Joint Venture (PPJV), Credit Union Payment Services (CUPS), Celero Solutions, CU CUMIS Wealth Holdings LP (CUC Wealth), the Canadian Credit Union Association (CCUA) and CUVentures LP.

On January 1, 2020, SaskCentral entered into a joint venture agreement with Alberta Central and Credit Union Central of Manitoba to administer the outsourcing of payments processing capability with IBM Canada Ltd, previously performed by CUPS. The PPJV provides payment services and related support services to the members of its owners as well to other organizations. The joint venturers, SaskCentral, Alberta Central and Credit Union Central of Manitoba, each have one-third interest in the joint venture. Prior to the establishment of the PPJV, CUPS, a joint venture of SaskCentral and Alberta Central, provided aggregated payment processing, clearing and settlement functions to credit unions. CUPS services were migrated to the PPJV in 2020.

ECONOMIC OVERVIEW

The global economy saw sharp contractions throughout 2020 as the COVID-19 pandemic forced economic shutdowns, employee layoffs, and government spending well beyond the great financial crisis in 2008. Throughout the first quarter the Bank of Canada reduced the overnight interest rate from 1.75% to 0.25%, where it remained for the rest of the year. Real Gross Domestic Product (GDP) growth is expected to be -5.5% for 2020.

The 2021 outlook remains cautiously optimistic, although much is dependent on the speed and effectiveness of the vaccine rollout. Growth in 2021 is expected to be near 4%, with more significant GDP growth of 4.8% in 2022. The Bank of Canada has committed to maintaining low interest rates until Canada hits the inflationary target of 2%, which is not expected until 2023.

SASKATCHEWAN CREDIT UNION PERFORMANCE

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

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

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

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

Results Overview

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

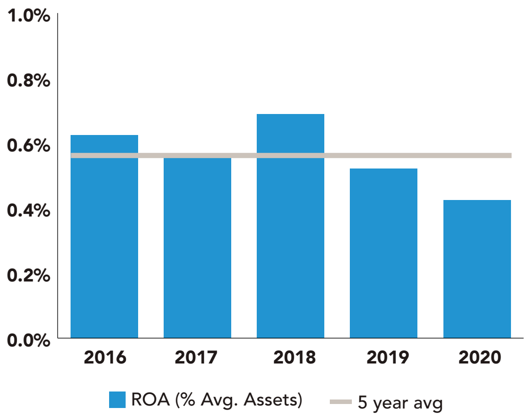
COVID-19 Impact on Credit Union Results

The COVID-19 pandemic impacted credit union results in 2020, putting pressure on earnings and impacting asset and deposit growth. Despite lower earnings, credit unions remained profitable and well capitalized. While loan activity was curtained throughout the year, the strong growth in deposits was a sign of the members' underlying confidence in the credit union system.

Profitability

In 2020, credit unions reported earnings of $112 million (2019 – $130 million) for a return on average assets of 0.44% (2019 – 0.54%). The effects of COVID-19 put pressure on earnings, causing lower net interest margin and an increase in provisions for credit losses.

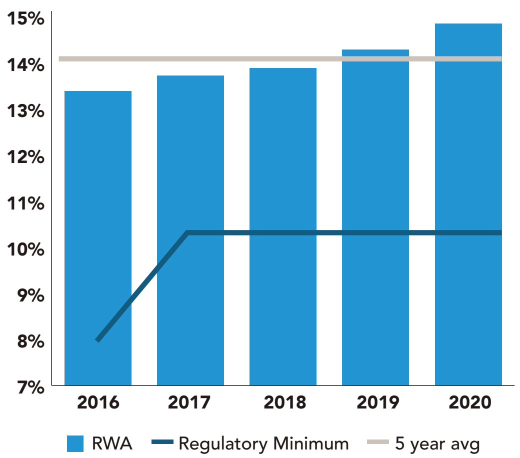
Return on Average Assets



Capital

Due in part to a contraction in the loan portfolio over the course of the year, total eligible capital as a percentage of risk-weighted assets (RWA) increased to 14.9% from 14.3% in 2019. Credit union capital is well above the current regulatory minimum of 10.5%.

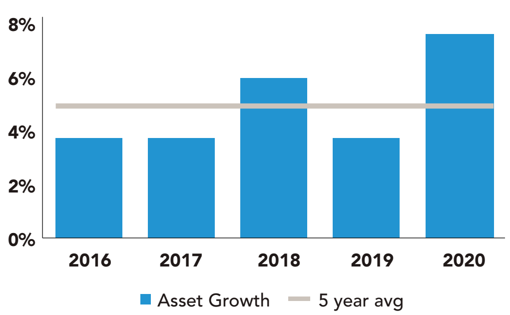
Total Eligible Capital (%RWA)



Growth

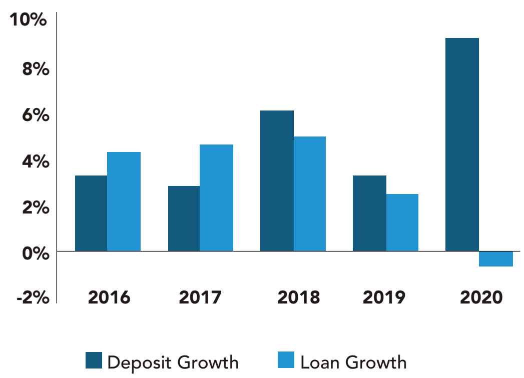
Assets grew by 7.2% to $26.5 billion (2019 – 4.0% to $24.7 billion). Asset growth has been impacted by COVID-19 as government support and restrictions on activity bolstered members' savings.

Asset Growth



Loans contracted 1.1% to $19.4 billion (2019 – growth of 2.3% to $19.6 billion) and deposit growth increased 9.4% from 3.4% in 2019. The decline in economic activity that accompanied lockdowns and other restrictions led to a deterioration in loan activity while supporting members ability to save.

Deposit/Loan Growth



Liquidity Risk

The Liquidity Coverage Ratio (LCR) reached 279.1% (2019 – 277.7%) at the end of 2020. While Total Cash Outflows increased, this has been offset by an increase in the stock of High Quality Liquid Assets and Cash Inflows expected within the next thirty days. The LCR ratio remains well above the regulatory minimum of 100%.

Credit Risk

Delinquencies increased marginally in 2020 to 1.4% (2019 – 1.3%). The impact of COVID-19 had a disproportionate effect on the service industry and the oil and gas sector contributing to a rise in delinquency levels and requiring credit unions to increase provisions for credit losses. The rise in commercial delinquency was offset by a modest decline in consumer delinquency levels.

Interest Rate Risk

Interest rate risk increased in 2020, however remains below the five-year average. For a 1% increase in interest rates, the net market value change to assets increased to -0.51% (-0.42% in 2019).

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

Statistical Review of Credit Unions

	2016	2017	2018	2019	**2020**
Credit Unions	46	46	44	40	**39**
Employees	3,427	3,306	3,355	3,365	**3,277**
Members	474,126	476,628	481,124	482,009	**486,152**

2020 SASKCENTRAL SEPARATE FINANCIAL PERFORMANCE

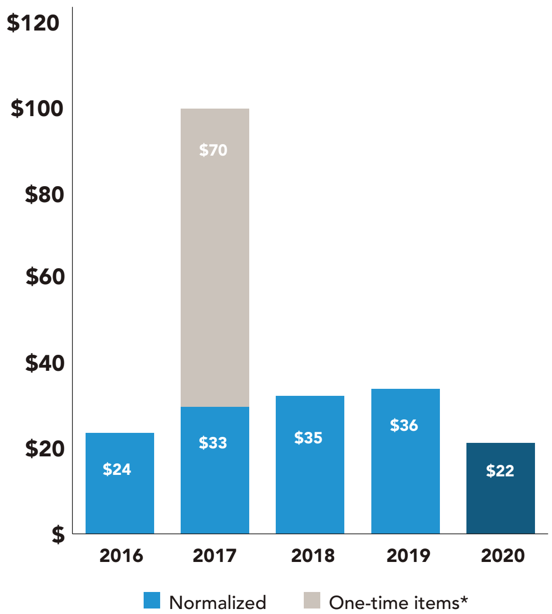
Results Overview

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

Profitability

SaskCentral's profit was $22.3 million (2019 – $35.9 million). The decrease was due to market related impacts of the COVID-19 pandemic on investee earnings and lower fee for service revenue which were partially offset by lower operating expenses.

SaskCentral Profit (in millions)



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

Net interest income decreased to $6.1 million (2019 - $7.5 million) primarily due to lower interest rates and lower borrowings as credit unions held higher cash balances because of the COVID-19 pandemic.

Dues and assessment revenue decreased to $5.4 million (2019 – $9.1 million) primarily due to the elimination of dues revenue in 2020 as SaskCentral continued to assess and evolved its business model to best meet the changing needs of Saskatchewan credit unions.

Fee for service revenue decreased to $9.9 million (2019 – $12.4 million) primarily due to a reduction in tenant and consulting revenues as a result of the economic environment brought about by the pandemic.

The share of profits of subsidiaries, associates, and joint operations represents SaskCentral's share of net income from its investees, including Concentra Bank, Celero Solutions, PPJV, CUC Wealth, CUVentures LP and Saskatchewan Entrepreneurial Fund Joint Venture. SaskCentral's share of profits was $12.2 million (2019 - $28.1 million). The decrease is mainly due to a decline in Concentra Bank earnings as a result of the COVID-19 pandemic combined with costs incurred for PPJV.

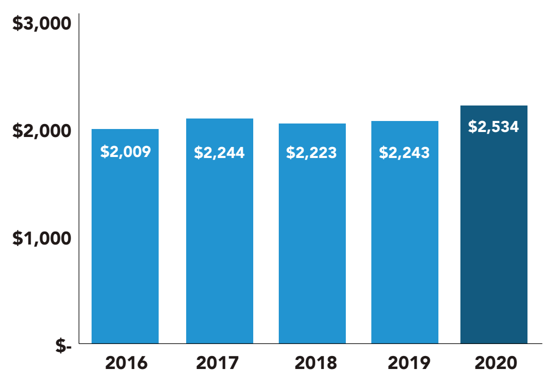
Non-interest expenses represent expenditures incurred to manage liquidity and provide consulting services to Saskatchewan credit unions, as well as general operating expenses such as salary and employee benefits and occupancy costs. Non-interest expenses decreased to $19.2 million (2019 – $22.4 million) due to a reduction in general business expenses resulting from the impact of COVID-19 restrictions on operations as well as management's efforts to monitor and manage expenses.

SaskCentral paid a dividend to credit unions in April 2020 of $8.7 million (2019 – $7.6 million) based on SaskCentral's 2019 earnings, representing a 5.3% (2019 – 4.7%) return on investment. In October 2020, SaskCentral paid distributions to credit unions received from Celero Solutions of $1.3 million (2019 - $1.3 million), representing a 0.8% (2019 – 0.8%) return on investment. SaskCentral also distributed to credit unions the dividends received from Concentra Bank of $4.5 million (2019 – $4.5 million). Of this, $1.1 million was declared in December 2020 with payment in January 2021. Concentra Bank's dividends represented a 3.8% return on SaskCentral's investment in Concentra Bank (2019 – 3.8%).

Growth

SaskCentral's deposits increased by 13.0% over prior year (2019 – 0.9% increase). Deposits are comprised of statutory liquidity deposits and credit union cash balances. Statutory liquidity deposits increased 9.3% and credit union cash balances increased 96.7%. Credit union cash balances can fluctuate substantially year over year. Credit unions continue to experience high levels of liquidity due to the pandemic relative to historical average. Statutory liquidity deposits comprise 92.4% (2019 – 95.4%) of total deposits.

SaskCentral Deposits (in millions)



Liquidity

SaskCentral continued to hold a strong liquidity position in 2020. Cash and securities totalled $2.7 billion, or 85.4% of assets (2019 – $2.5 billion or 84.4%).

Return on Equity

Equity increased by $19.6 million over 2019 primarily due to earnings from Concentra Bank. Credit unions subscribed to $3.3 million (2019 – $3.2 million) in membership share capital during the year. For 2020, SaskCentral's ROE was 3.8% (2019 – 6.4%).

LIQUIDITY MANAGEMENT

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

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

SaskCentral supports credit unions in managing their LCR. A credit union's stock of High Quality Liquid Assets (HQLA) includes securities held directly as well as those held indirectly in the form of statutory liquidity deposits with SaskCentral. A credit union may allocate the amount of its statutory liquidity deposits to each level of HQLA and other liquid assets on a 'look-through' basis and in accordance with the investment allocation of the liquidity pool at each level.

CAPITAL MANAGEMENT

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

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

SaskCentral actively manages capital to ensure long-term financial stability, balancing the credit unions' desire for return on their investments with the capital requirements necessary to support liquidity functions and maintain an investment-grade credit rating. Capital plans analyze the different strategies that are available to SaskCentral to optimize capital. Specifically, the purpose of capital planning is to ensure SaskCentral has adequate capital to: meet regulatory and operational requirements; provide flexibility for changes in business plans; signal financial strength to stakeholders; and provide dividend options.

REGULATORY CAPITAL AND CAPITAL RATIOS

Capital levels are regulated pursuant to guidelines issued by CUDGC. Regulatory capital is allocated to two tiers. Tier 1 capital comprises the highest quality capital and is a core measure of SaskCentral's financial strength. It consists of more permanent components of capital, is free of mandatory fixed charges against earnings and has a subordinate legal position to the rights of depositors and other creditors. SaskCentral's Tier 1 capital is comprised of credit union membership shares and retained earnings. Tier 2 capital includes supplementary capital instruments that contribute to the overall strength of SaskCentral as a going concern but fall short of meeting the Tier 1 requirements. Total capital is defined as the sum of Tier 1 and Tier 2 capital. For further details on the terms and conditions of the various capital components, refer to note 6 in the separate financial statements.

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

Borrowing Multiple

Regulatory capital adequacy is measured by CUDGC through the borrowing multiple. The borrowing multiple is calculated by dividing total borrowings by Tier 1 and Tier 2 regulatory capital. Total borrowings consist of deposits, loans payable, notes payable, and other adjustments. CUDGC sets a limit of 20.0:1 that the borrowing multiple must not exceed. SaskCentral has set its own maximums that are below that of CUDGC. The *Financial Management Policy* sets a limit of 17.0:1, at which point SaskCentral's Board of Directors must take immediate mitigating action to make certain the borrowing multiple does not exceed CUDGC's limit. The *Financial Management Policy* also describes a management limit of 16.0:1, at which point management will outline actions to assuage the situation. As of December 31, 2020, the borrowing multiple was 14.9:1 (2019 – 13.4.1).

Regulatory Capital and Ratios

	2020	2019
Tier 1 Capital	**579,738**	571,007
Total Borrowing Multiple Capital	**173,129**	175,201
Total Borrowings	**2,574,431**	2,353,931
Actual Borrowing Multiple	**14.9:1**	13.4:1
SaskCentral Policy Limit	**17.0:1**	17.0:1
Tier 1 Regulatory Capital		
Membership shares	**168,690**	165,424
Retained earnings	**418,722**	410,688
Own credit risk[1]	**(3,803)**	(1,234)
IFRS related reclassification[2]	**(3,871)**	(3,871)
Total Tier 1 Captial	**579,738**	571,007
Tier 2 Regulatory Capital		
IFRS related reclassification[2]	**3,871**	3,871
Total Tier 2 Capital	**3,871**	3,871
Total Tier 1 and Tier 2 Capital	**583,609**	574,878
Deduct:		
Investments in unconsolidated subsidiaries	**401,420**	392,173
Assets of little or no realizable value	**9,060**	7,504
Total Tier 1 and Tier 2 Capital	**173,129**	175,201

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

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

Capital Management
SaskCentral's capital plan evaluates projected capital adequacy and considers capital options, including membership share true-up and organic growth of retained earnings.

SaskCentral's bylaws require member credit unions to maintain mandatory membership share capital at 0.6% of their previous year's assets, and a maximum membership share balance at 1.0%. It does not prohibit or prevent either a request from SaskCentral for a voluntary share subscription or a credit union from voluntarily subscribing to additional membership share capital. In 2020, credit unions subscribed to $3.3 million in additional membership share capital.

At December 31, 2020, credit union membership share capital represented 0.64% of 2020 credit union assets (2019 – 0.67%).

SaskCentral remains well capitalized and able to support Saskatchewan credit unions. Based on the borrowing multiple at the end of 2020, SaskCentral would be able to withstand additional capital shocks of $21.7 million before reaching the Board policy limit of 17.0:1.

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

Uses of Capital
Capital is directed to strategic investments that provide products and services to assist credit unions in servicing their members. These investments include Concentra Bank, Celero Solutions, PPJV, CUC Wealth, The Co-operators, and CCUA.

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

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

ENTERPRISE RISK MANAGEMENT

In 2020, SaskCentral's Enterprise Risk Management (ERM) framework was updated to align with the ERM framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The ERM framework describes the principles, governance structures, roles and responsibilities and key concepts that SaskCentral uses to guide its assessment of risks within the organization. The framework outlines a thorough and systematic way that risk is managed, identified, assessed, monitored and reported.

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

ERM is closely tied with SaskCentral's strategy and business plan and is integrated with SaskCentral's strategic goals and balanced scorecard. SaskCentral's strategy and key risks are approved by the SaskCentral Board annually. Effective management of risk strengthens the ability of the organization to achieve its objectives and meet its obligations. Risk-aware decisions, reflected in strategy and action, optimize opportunity and capacity to create profit for stakeholders. SaskCentral includes significant strategic investments in its risk analysis (i.e. Concentra Bank).

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

In 2020, SaskCentral's strategy map outlined the following primary strategic goals:

- Modernized statutory liquidity function with improved efficiency and effectiveness for credit unions;
- Effective and efficient clearing and settlement for credit unions;
- Alignment of strategic investments to optimize capital and value of services;
- Relevant, future-focused core and discretionary services for credit unions; and
- SaskCentral financial sustainability and governance reform.

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

SaskCentral has a Board-approved conflict of interest policy and a code of conduct that all employees, directors and delegates must follow. In addition, SaskCentral has a regulatory compliance framework and anti-money laundering / anti-terrorist financing framework. The regulatory compliance framework and the anti-money laundering / anti-terrorist financing framework each consist of Board-approved policy and procedures, which require the appointment of a Chief Compliance Officer / Chief Anti-Money Laundering Officer to oversee and be responsible for the framework, regular risk assessment and reporting to executive management and the Board on legislative and regulatory compliance, and independent review of the framework.

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

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

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

Every organization is vulnerable to loss as a result of business disruption or disasters. SaskCentral is responsible for minimizing the impact on the organization including recovering critical functions for clients and protecting employees and tenants. To minimize the potential impact from these types of events, SaskCentral has developed and maintains a comprehensive *Continuity Management Program* to direct the effective management of any major business continuity disruption. Major risks identified as part of the business continuity planning process are considered for inclusion in the corporate risk register if the impact merits it.

SaskCentral provides centralized coordination of emergency liquidity processes as described in the *Liquidity Crisis Management Plan*. The plan provides the basis for navigating through a liquidity crisis in a speedy and appropriate manner by outlining triggers, roles and responsibilities and communication protocols. The Liquidity Crisis Management Team is comprised of decision makers from SaskCentral, CUDGC, the affected credit union(s), Concentra Bank, PPJV, the group clearer and CCUA. The plan is tested at least annually through tabletop or full mock exercises.

In 2020, SaskCentral developed a *Capital Crisis Management Plan* which provides a basis for analyzing capital management options during a stress event and the organization's ability to maintain or replenish capital levels.

SEPARATE MANAGEMENT DISCUSSION AND ANALYSIS

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

Concentra Bank manages its ERM process independent of SaskCentral. For further information, please refer to Concentra Bank's 2020 annual report.

2021 OUTLOOK

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

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

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

In addition, the payments landscape is changing. Payments Canada is working to modernize Canada's payment systems. A modern payments infrastructure designed for tomorrow's digital world will introduce new opportunities to simplify and enhance everyday payment interactions. This highly evolving environment is what directly drives SaskCentral's strategy and continued transformation towards providing core wholesale functions focused primarily in two critical areas: Statutory Liquidity and Credit Facilities; and Payments, Clearing and Settlement.

SaskCentral's vision, "connecting Saskatchewan credit unions to the global financial network", reflects our focus on enabling further transformation of the wholesale activities and services we provide directly or on behalf of credit unions to ensure they are optimally positioned to meet current and future credit union needs. In pursuit of this, SaskCentral will be guided by our purpose: "we lead wholesale services and transformation necessary for vibrant and sustainable credit unions."

SaskCentral has identified five goals that represent our desired long-term results.

Modernized statutory liquidity function with improved efficiency and effectiveness for credit unions

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

Effective and efficient payments, clearing and settlement for credit unions

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

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

Alignment of strategic investments to optimize capital and value of services

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

Relevant, future-focused core and discretionary services for credit unions

We exist to serve Saskatchewan credit unions, and both core and discretionary services we provide must be of value to them. Our business model must align to the strategic direction and future of SaskCentral.

SaskCentral financial sustainability and governance reform

Credit unions rely on us to responsibly manage our financial resources so we can provide the services they need. As we implement changes to better serve Saskatchewan credit unions, we must maintain financial sustainability, comply with regulation and provide governance appropriate to the organization.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

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

Changes in Accounting Policies

Amendments to IAS 1 and IAS 8, Definition of Material
On January 1, 2020, amendments to IAS 1, *Presentation of Financial Statements* (IAS 1) & IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) became effective. The amendments are intended to make the definition of material easier to understand and does not alter the underlying concept of materiality in IFRS. Application of the amendments have had no impact on SaskCentral's separate financial statements.

Amendment to IFRS 3, Definition of a business
Effective January 1, 2020, SaskCentral adopted amendments to IFRS 3, *Business Combinations* (IFRS 3). The amendments to IFRS 3 provide clarification on the definition of a business. The implementation of the amendments to IFRS 3 did not have any impact on SaskCentral's consolidated financial statements.

For further details on the application of IAS 1, IAS 8 and IFRS 3 amendments, refer to note 28 of SaskCentral's separate financial statements.

IMPACT OF COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continues to have a significant adverse impact on the Canadian economy. Public health measures implemented in several jurisdictions to limit the spread of the virus resulted in temporary restrictive measures placed upon non-essential businesses during 2020. Further restrictive public health measures implemented in the fourth quarter to curb the second wave of the COVID-19 pandemic present the risk that economic activity could be adversely impacted beyond original expectations. SaskCentral continues to operate in an uncertain macroeconomic environment at this time.

The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgement in evaluating the economic environment and its impact on significant estimates. Management has incorporated the anticipated impact of COVID-19 in estimates and judgments of the separate financial statements to the extent known at this time. Actual results could differ from these estimates and assumptions. SaskCentral has demonstrated resilience in these uncertain times and continues to support credit unions and the safety and wellbeing of employees.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Credit Union Central of Saskatchewan

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

In discharging its responsibilities for the integrity and fairness of the separate financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained. The system of internal controls is further supported by Internal Audit staff, who regularly review all aspects of SaskCentral's operations. The Board of Directors and the Audit and Risk Committee are composed entirely of directors who are neither management nor employees of SaskCentral. The Audit and Risk Committee is appointed by the Board to review the separate financial statements in detail with management and to report to the Board prior to their approval of the separate financial statements for publication.

Credit Union Deposit Guarantee Corporation of Saskatchewan reviews the activities of SaskCentral to ensure compliance with the *Cooperative Credit Associations Act* and the *Credit Union Central of Saskatchewan Act, 2016*, to ensure the safety of depositors and members of SaskCentral and to ensure that SaskCentral is in sound financial condition. Their findings are reported directly to management.

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

Shawn L. Good,
Chief Executive Officer

SDLucas

Sheri Lucas,
Executive Vice-President of Finance / Chief Financial Officer / Chief Risk Officer
March 9, 2021

AUDIT AND RISK COMMITTEE REPORT TO THE MEMBERS

To the Members of Credit Union Central of Saskatchewan

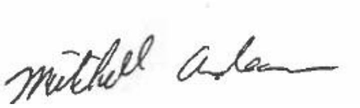
The purpose of the Audit and Risk Committee is to ensure an independent review of SaskCentral's financial operation in areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to sound financial practices.

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

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

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

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



Mitchell Anderson
Chair, Audit and Risk Committee
March 9, 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Canada

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Independent Auditor's Report

To the Members of
Credit Union Central of Saskatchewan

Opinion

We have audited the separate financial statements of Credit Union Central of Saskatchewan (the "Company"), which comprise the separate balance sheet as at December 31, 2020, and the separate statement of profit or loss, separate statement of comprehensive income or loss, separate statement of changes in equity, and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies (collectively referred to as the "separate financial statements").

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Matter

We issued a separate auditor's report dated March 9, 2021 on the Company's consolidated financial statements for the year ended December 31, 2020 in accordance with IFRS.

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

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

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

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

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

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
Regina, Saskatchewan
March 9, 2021

SEPARATE BALANCE SHEET

[in thousands of Canadian dollars]

As at December 31

	2020 **$**	**2019** **$**
Assets		
Cash and cash equivalents [note 7]	**150,885**	120,816
Securities [note 8]	**2,572,194**	2,366,259
Derivative assets [note 9]	**6,855**	8,556
Loans [note 10]	**15,908**	28,293
Trade and other receivables	**2,104**	874
Other assets	**489**	244
Investments in subsidiaries, associates and joint operations [note 12]	**417,182**	400,573
Property, plant and equipment [note 13]	**4,936**	5,208
Investment property [note 14]	**8,983**	9,184
Intangible assets [note 15]	**559**	59
Deferred income tax assets [note 16]	**8,787**	7,310
	3,188,882	2,947,376
Liabilities		
Deposits [note 17]	**2,534,418**	2,243,233
Derivative liabilities [note 9]	**6,855**	8,556
Loans and notes payable [note 18]	**40,013**	110,698
Trade and other payables	**4,953**	5,168
Provision for investments in associates [note 12]	**3,289**	-
Other liabilities	**121**	133
	2,589,649	2,367,788
Equity		
Share capital [note 19]	**168,690**	165,424
Retained earnings	**418,722**	410,688
Accumulated other comprehensive income (loss)	**11,821**	3,476
	599,233	579,588
	3,188,882	2,947,376

See accompanying notes

On behalf of the Board:

Director

Director

SEPARATE STATEMENT OF PROFIT OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2020 $	2019 $
Interest income		
Securities	**40,431**	50,927
Loans	**382**	767
	40,813	51,694
Interest expense		
Deposits	**34,263**	42,394
Loans and notes	**487**	1,827
	34,750	44,221
Net interest income [note 21]	**6,063**	7,473
Provision for credit losses [note 11]	**8**	7
Net interest income after provision for credit losses	**6,055**	7,466
Non-interest income		
Dues and assessment revenue [note 22]	**5,425**	9,109
Fee for service [note 22]	**9,920**	12,419
Gain on financial instruments [note 25]	**6,540**	457
Share of profits of subsidiaries, associates and joint operations [note 12]	**12,162**	28,121
	34,047	50,106
Net interest and non-interest income	**40,102**	57,572
Non-interest expense		
Salary and employee benefits [note 23]	**9,099**	10,657
Professional and advisory services [note 24]	**6,009**	6,643
Computer and office equipment	**1,040**	1,042
Occupancy	**2,064**	2,371
General business	**962**	1,656
	19,174	22,369
Profit for the year before income taxes	**20,928**	35,203
Income tax recovery [note 16]	**(1,410)**	(683)
Profit for the year	**22,338**	35,886

See accompanying notes

SEPARATE STATEMENT OF COMPREHENSIVE INCOME OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2020 $	2019 $
Profit for the year	**22,338**	35,886
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Net unrealized gains (losses) on FVTOCI securities during the year	**2,960**	754
Reclassification of losses on FVTOCI securities disposed of in the year	**(15)**	(52)
Reclassification of impairment gains (losses) on FVTOCI securities [note 11]	**(2)**	18
Share of other comprehensive income of subsidiaries, associates and joint operations	**8,763**	2,678
Income tax relating to items that may be reclassified subsequently [note 16]	**(792)**	(268)
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 25]	**(3,193)**	1,767
Income tax related to items that will not be reclassified subsequently [note 16]	**862**	(477)
Other comprehensive income for the year, net of tax	**8,583**	4,420
Total comprehensive income for the year	**30,921**	40,306

See accompanying notes

SEPARATE STATEMENT OF CHANGES IN EQUITY

[in thousands of Canadian dollars]

Year ended December 31

	Share capital	Retained earnings	Accumulated other comprehensive income: Fair value reserve	Accumulated other comprehensive income: Own credit risk reserve	Total
Balance as at December 31, 2018	**162,832**	**390,294**	**1,580**	**(2,756)**	**551,950**
Profit for the year	-	35,886	-	-	35,886
Other comprehensive income for the year, net of tax	-	-	3,130	1,290	4,420
Increase in share capital, net of repatriation	2,592	-	-	-	2,592
Dividends [note 20]	-	(15,260)	-	-	(15,260)
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	-	(232)	-	232	-
Balance as at December 31, 2019	**165,424**	**410,688**	**4,710**	**(1,234)**	**579,588**
Profit for the year	**-**	**22,338**	**-**	**-**	**22,338**
Other comprehensive income for the year, net of tax	**-**	**-**	**10,914**	**(2,331)**	**8,583**
Increase in share capital	**3,266**	**-**	**-**	**-**	**3,266**
Dividends [note 20]	**-**	**(14,542)**	**-**	**-**	**(14,542)**
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	**-**	**238**	**-**	**(238)**	**-**
Balance as at December 31, 2020	**168,690**	**418,722**	**15,624**	**(3,803)**	**599,233**

See accompanying notes

SEPARATE STATEMENT OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2020 $	2019 $
Cash flows from (used in) operating activities		
Profit for the year	**22,338**	35,886
Adjustments to determine net cash used in operating activities:		
Depreciation of property, plant and equipment and investment property [note 13/14]	**659**	711
Other amortization/accretion	**6,235**	(249)
Provision for credit losses [note 11]	**8**	7
Gain on financial instruments [note 25]	**(6,540)**	(457)
Net interest income [note 21]	**(6,063)**	(7,473)
Share of profits in subsidiaries, associates and joint operations, net of losses [note 12]	**(12,162)**	(28,121)
Income tax recovery [note 16]	**(1,410)**	(683)
Changes in operating assets and liabilities:		
Loans, net of repayments	**12,384**	(15,767)
Trade and other receivables (payables)	**(1,445)**	(1,435)
Other assets	**(245)**	79
Deposits, net of withdrawals	**270,532**	8,023
Loans and notes payable, net of repayments	**(70,615)**	45,607
Other liabilities	**(12)**	5
Interest received	**40,225**	50,122
Dividends received	**331**	502
Interest paid	**(36,064)**	(43,939)
Cash flows from operating activities	**218,156**	42,818
Cash flows from (used in) financing activities		
Proceeds from issuance of share capital	**3,266**	3,200
Repatriation of share capital	**-**	(608)
Dividends paid to members [note 20]	**(14,542)**	(15,260)
Cash flows used in financing activities	**(11,276)**	(12,668)
Cash flows from (used in) investing activities		
Purchase of securities	**(4,105,338)**	(6,552,871)
Proceeds from sales of securities	**3,921,610**	6,369,728
Distributions from investments in subsidiaries, associates and joint operations [note 12]	**7,606**	7,179
Property, plant and equipment [note 13]	**(186)**	(198)
Intangible assets [note 15]	**(503)**	(47)
Cash flows used in investing activities	**(176,811)**	(176,209)
Net increase (decrease) in cash and cash equivalents	**30,069**	(146,059)
Cash and cash equivalents, beginning of year	**120,816**	266,875
Cash and cash equivalents, end of year	**150,885**	120,816

See accompanying notes

December 31, 2020
in thousands of Canadian dollars

1. REPORTING ENTITY

Credit Union Central of Saskatchewan (SaskCentral) is a company domiciled in Canada. The address of SaskCentral's registered office is 2055 Albert Street, Regina, Saskatchewan, S4P 3G8. SaskCentral is incorporated under *The Credit Union Central of Saskatchewan Act, 2016* (the Act). Under the Act, Credit Union Deposit Guarantee Corporation of Saskatchewan (CUDGC) has regulatory responsibilities for SaskCentral.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

(a) Statement of compliance

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

These separate financial statements were authorized for issue by the Board on March 9, 2021.

SaskCentral prepares audited consolidated financial statements in accordance with IFRS 10, *Consolidated Financial Statements.* The audited consolidated financial statements were authorized for issue by the Board on March 9, 2021. SaskCentral's audited consolidated financial statements should be referenced for further information.

(b) Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or liability, SaskCentral takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, and measurements that have some similarities to fair value, but are not fair value, such as value in use on impairment.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

(b) Basis of measurement (continued)

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about key sources of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the separate financial statements are described in note 3.

(e) COVID-19 pandemic considerations

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of the COVID-19 virus, as well as government economic response and support efforts.

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

2.2 Investments in subsidiaries

A subsidiary is an entity over which SaskCentral has control. Control is achieved when SaskCentral (a) has power over the investee; (b) is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Investments in subsidiaries (continued)

For the purposes of these separate financial statements, all subsidiaries have been accounted for using the equity method. Under the equity method, an entity is initially recognized in the separate balance sheet at cost and adjusted thereafter to recognize SaskCentral's share of the profit or loss and other comprehensive income (OCI) of the entity. When SaskCentral's share of losses of an entity exceeds SaskCentral's interest in that entity, SaskCentral discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that SaskCentral has incurred legal or constructive obligations or made payments on behalf of the entity.

2.3 Investments in associates

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

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

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

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

2.4 Interests in joint operations

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Sale and repurchase agreements

Securities sold subject to repurchase agreements are treated as collateralized borrowing transactions when the transferee has the right by contract or custom to sell or repledge the collateral and are classified as FVTOCI and recorded at fair value. Obligations related to assets sold under repurchase agreements are recorded in loans payable (note 18). Interest incurred on repurchase agreements is included in loans and notes interest expense.

2.6 Financial instruments

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

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

(a) Financial assets

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

Business model assessment

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

Cash flow characteristics assessment

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(a) Financial assets (continued)

Debt instruments measured at amortized cost

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

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

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

Debt instruments measured at FVTOCI

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

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

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

Debt instruments designated at FVTPL

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

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

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

Equity instruments measured at FVTPL

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

December 31, 2020
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

Equity instruments designated at FVTOCI

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

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

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

(b) Financial liabilities

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

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

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

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

(c) Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, unless SaskCentral changes its business model for managing financial assets. There were no changes to any of the SaskCentral's business models for the year ended December 31, 2020.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets

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

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

Expected credit loss impairment model

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

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

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

Measurement of ECL

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

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.

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in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

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

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

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

Definition of default

SaskCentral considers a financial asset to be in default when:

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

Forward looking information

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Macroeconomic factors

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

Multiple forward-looking scenarios

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

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

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

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

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

Write-off

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

(e) Derecognition of financial assets or liabilities

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

2.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the separate statement of profit or loss using the effective interest method, except for short-term receivables and payables when the effect of discounting is immaterial. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, SaskCentral estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and basis points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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

2.8 Revenue recognition

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

Nature of goods and services

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

Dues and assessment revenue

SaskCentral collects dues and other assessment revenue from credit union members to fund various products and services such as corporate governance, member relations, network services, system memberships and sponsorships. These services give member credit unions access to a wealth of expertise. Saskatchewan credit unions pay an annual assessment fee to SaskCentral based on a charge per membership (50% of the dues assessment) and a charge on assets (50% of the dues assessment). The assessment of operating dues-funded functions is determined annually based on an operating dues budget which is subsequently approved by the Board for which payment is due immediately upon demand. The services are rendered over time and performance obligations are satisfied in the same manner; therefore, revenues are recognized over time. In the instance when revenue from dues exceeds related expenses materially, there is an element of variable consideration. It is considered highly probable that a significant reversal in the cumulative revenue for dues will not occur given historical level of refunds in prior years.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Revenue recognition (continued)

Liquidity management assessment

SaskCentral collects liquidity management assessment fees from member credit unions to provide services such as clearing and settlement, credit facilities, emergency liquidity management and investment management. The liquidity management assessment fees are reviewed and approved by SaskCentral's Board annually. The fees are assessed based on the size of member credit unions' liquidity deposits held at SaskCentral. 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.

Clearing and settlement fee

SaskCentral charges a transaction fee to ensure timely and accurate clearing and settlement services are provided to Saskatchewan credit unions and their members. Total transactions cleared and settled in a month are billed to credit unions on a per-transaction basis, for which payment is due immediately. Therefore, revenue is recognized at a point in time based on the right to invoice.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Revenue recognition (continued)

Rental revenue

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

2.9 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.

2.10 Derivative financial instruments

SaskCentral enters into derivative transactions on an intermediary basis on behalf of credit unions. These derivatives are carried at fair value on a gross basis as derivative assets and liabilities. Further details of derivative financial instruments are disclosed in note 9.

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

2.11 Property, plant and equipment

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

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

The applicable depreciation periods are as follows:

Building	40 years
Building improvements	5 to 35 years
Furniture and equipment	3 to 20 years

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 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 separate statement of profit or loss.

2.12 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.

2.13 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from two to five years.

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

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

2.14 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).

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 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 separate statement of profit or loss immediately.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date and when there is an indication that reversal of the impairment may have occurred. Upon reversal of an impairment loss the carrying amount is increased to the revised recoverable amount and the revised recoverable amount does not exceed the carrying amount had the impairment loss not been recognized in prior years. The reversal is recognized in the separate statement of profit or loss immediately. No non-financial assets were impaired in 2020 or 2019.

2.15 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 in the separate statement of profit or loss on a systematic basis over the periods in which the expenses are recognized. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to SaskCentral with no future related costs, are recognized in the separate statement of profit or loss in the period in which they become receivable.

2.16 Taxation

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

(a) Current tax

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

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the separate balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment, effective interest method and carry-forward losses.

Deferred income tax is not recognized for the following: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries to the extent SaskCentral is able to control the timing of the reversal of the temporary difference and to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Taxation (continued)

(b) Deferred tax (continued)

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

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

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

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

2.17 Employee benefits

(a) Pension benefits

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

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

(b) Short-term employee benefits

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Provisions

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

2.19 Dividends

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical judgments in applying accounting policies

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

Business model assessment

Classification and measurement of financial assets under IFRS 9 depends on the results of the 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-day past due and DBRS Morningstar ratings. The assessment of significant increase in credit risk requires judgment.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

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

Concentra Bank is a subsidiary of SaskCentral as a result of SaskCentral's ability to call a special resolution vote on any matter or Board decision related to Concentra Bank and its 84.02% (2019 - 84.02%) voting interest in Concentra Bank. In addition, SaskCentral has the power to appoint and remove four out of the twelve directors of Concentra Bank. Management has concluded that SaskCentral has control over Concentra Bank due to SaskCentral's ability to call a special resolution on any matter and its power to appoint and remove directors of Concentra Bank. For the purposes of these separate financial statements, SaskCentral accounts for Concentra Bank using the equity method.

Significant influence over Celero Solutions

SaskCentral has significant influence over Celero Solutions by virtue of its 33.33% (2019 – 33.33%) interest in Celero Solutions. SaskCentral has the right to appoint two out of six (33.33%) members of the Celero Solutions Management Committee. Management has concluded that due to the lack of unanimous consent required to make decisions regarding relevant activities, SaskCentral does not have joint control over Celero Solutions. However, since SaskCentral has 33.33% of the voting power of Celero Solutions, management has concluded that SaskCentral has significant influence over Celero Solutions.

Significant influence over Saskatchewan Entrepreneurial Fund Joint Venture

On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP had 100% (2019 – 100%) ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which had a 45.45% share in Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). On June 30, 2020, SEF JV was dissolved. Prior to June 30, 2020, SaskCentral had significant influence over SEF JV by virtue of SEF LP's 45.45% interest in SEF JV. SaskCentral had the ability to appoint two out of five members (40%) to the Executive Committee of SEF JV. Management concluded that due to the lack of unanimous consent required to make decisions, SaskCentral did not have joint control of SEF JV. However, since SaskCentral had 40% of the voting power of SEF, through CUVentures LP, management concluded that SaskCentral had significant influence over SEF.

Significant influence over CUC Wealth

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

SaskCentral has 10.92% (2019 – 10.92%) ownership in CUC Wealth. SaskCentral has significant influence over CUC Wealth through its representation on the board of directors and participation in policy-making processes. SaskCentral has the right to appoint one out of nine (11.11%) members of the CUC Wealth board of directors and management has concluded that SaskCentral has significant influence over CUC Wealth. SaskCentral's representation on the CUC Wealth board of directors provides the ability to participate in and influence financial, operating and policy-making processes, including participation in decisions around distributions of CUC Wealth.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Classification of CUPS Payment Services as a joint operation

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

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

Prior to the formation of PPJV, SaskCentral owned 50% interest in CUPS in which unanimous consent is required for decision making. The remaining 50% interest in CUPS was owned by Alberta Central. For the purposes of these separate financial statements, comparative figures for 2019 reflect SaskCentral's proportionate share of assets, liabilities, revenue and expenses of the CUPS joint operation using the equity method. The legal form of the CUPS contractual arrangement gave SaskCentral and Alberta Central rights to the assets and obligations for the liabilities, in proportion to their proportionate share in the joint operation. The CUPS contractual agreement between SaskCentral and Alberta Central stated that the gross revenues, expenses, income and losses of the joint operation shall belong to, be owned by and borne exclusively by SaskCentral and Alberta Central in proportion to their proportionate share in the joint operation. Management concluded that CUPS was a joint operation due to the fact that both SaskCentral and Alberta Central share proportionately the rights to the assets, obligations to the liabilities and share of profits or losses of CUPS.

Transfer of control of goods or services

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

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

Some of SaskCentral's financial assets and financial liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, SaskCentral uses market-observable data to the extent it is available. Where Level 1 inputs are not available, SaskCentral utilizes valuation techniques, such as discounted cash flow models, or observable data from sources such as Bloomberg, to calculate the fair value of assets and liabilities. Where valuation techniques such as models are used to determine fair values, they are validated and periodically reviewed by SaskCentral's valuation subcommittee. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 5 and 14.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty (continued)

Calculation of expected credit losses

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

Own credit risk

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

Valuation of Concentra Bank

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

Income taxes

The deferred income tax liability recognized is based on future profitability assumptions within the foreseeable future. SaskCentral has determined that it is not probable that the temporary differences relating to Concentra Bank will reverse in the foreseeable future. Therefore, no deferred tax liability has been recorded on the temporary differences related to Concentra Bank. In the event of changes to these profitability assumptions, the deferred income tax liability recognized may be adjusted.

4. FINANCIAL RISK MANAGEMENT

The *Financial Management Policy* outlines risk management activities that support the maintenance of sufficient liquidity while ensuring capital adequacy. As a financial institution, SaskCentral is exposed to the following risks as a result of holding financial instruments: credit risk, market risk, and liquidity risk. The following is a description of these risks and how they are managed.

Credit risk

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

SaskCentral manages credit risk by:

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

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

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

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

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

The SaskCentral credit risk objectives and methodologies have not changed materially from December 31, 2019.

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

SaskCentral is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. In determining the credit quality of derivative instruments both SaskCentral's own credit risk and the risk of the counterparty are considered elements of the credit quality.

Credit risk is measured by using a credit equivalent amount. The credit equivalent amount is derived from the sum of the positive replacement cost and the potential credit risk exposure which reflects the potential change in replacement cost in relation to the remaining term to maturity of the contract. Potential credit risk exposure is calculated in accordance with the capital adequacy guidelines as prescribed by CUDGC.

Notes to the Separate Financial Statements

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

	2019 $		
	Amount outstanding	**Undrawn commitments**	**Total**
Cash and cash equivalents	120,816	-	120,816
Securities	2,366,266	-	2,366,266
Derivative assets	5,794	-	5,794
Loans	28,298	518,350	546,648
Investments in subsidiaries, associates and joint operations	400,573	-	400,573
Total exposure	2,921,747	518,350	3,440,097

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

	2020 $	**2019 $**
Low risk		
Risk rating 1	**581,391**	539,369
Risk rating 2	**-**	-
Standard monitoring		
Risk rating 3	**-**	-
Risk rating 4	**6,811**	7,261
Special monitoring		
Risk rating 5	**-**	-
Default		
Risk rating 6	**-**	-
Risk rating 7	**-**	-
Total exposure	**588,202**	546,630

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	2020 **$**	**2019** **$**
AAA/R1H	**667,575**	813,371
AA/R1M	**611,046**	458,120
A/R1L	**772,134**	705,326
BBB/R2H	**324,728**	174,588
Exchange Traded Funds	**7,776**	-
Co-operatives	**1,115**	1,114
Unrated	**10**	179
Total exposure	**2,384,384**	2,152,698

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

	2020 **$**	**2019** **$**
AAA/R1H	**33,229**	64,790
AA/R1M	**85,142**	47,415
A/R1L	**41,609**	60,305
BBB/R2H	**6,545**	20,534
Co-operatives	**4,924**	4,425
Total exposure	**171,449**	197,469

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	2020 $	2019 $
Automobile financing	**95,868**	103,434
Banking (Schedule 1)	**362,330**	486,909
Credit card issuing/financing	**-**	25,063
Diversified holdings	**-**	5,089
Information	**126,390**	61,783
Insurance carriers and related activities	**997**	997
Local credit union	**468,741**	445,588
Manufacturing	**100,304**	70,668
MAV	**10**	179
Mining & oil and gas extraction	**29,148**	44,758
Other non-depository (co-operatives)	**709,718**	521,728
Public administration (federal, provincial, and municipal government)	**1,400,317**	1,371,409
Real estate	**100,354**	78,325
Residential mortgages (conventional)	**1,144**	1,133
Retail trade	**30,703**	51,447
Securities, commodity contracts and other financial institutions	**56,085**	34,348
Transportation and warehousing	**54,778**	58,793
Utilities	**178,579**	73,919
Wholesale trade	**17,313**	4,527
Total exposure	**3,732,779**	3,440,097

Market risk

Market risk arises from three components:

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

SaskCentral manages market risk by:

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

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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

The SaskCentral market risk objectives and methodologies have not changed materially from December 31, 2019.

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

(a) Interest rate risk

The following represents the SaskCentral market risk position:

	2020		**2019**	
	Adjusted net interest income	**Economic value of equity**	**Adjusted net interest income**	**Economic value of equity**
Impact of:				
200 bp increase in rates	**38.22%**	**(2.79%)**	42.34%	(0.88%)
200 bp decrease in rates	**(15.37%)**	**6.03%**	(31.78%)	1.30%
Impact of:				
30% rate ramp increase	**3.74%**	**(0.15%)**	6.98%	(0.01%)
30% rate ramp decrease	**(3.51%)**	**1.12%**	(1.40%)	0.02%

SaskCentral's exposure to interest rate risk is the risk of capital and earnings volatility due to changes in interest rates. This arises when assets and liabilities have different maturity profiles. Interest rate risk has the potential to affect capital strength. Capital volatility is managed by matching asset duration or cash flows to liability duration or cash flows.

Interest rate derivatives may be used to manage the duration or cash flow mismatch. SaskCentral monitors interest rate changes monthly on a forecasted basis.

SaskCentral evaluates interest rate risk by determining the financial impact under a variety of scenarios. SaskCentral limits the impact of interest rate changes so that an immediate 200 bp parallel shift in the yield curve will not negatively affect the economic value of equity by more than 20% or projected annual net interest income by more than 40% and a 30% rate ramp scenario will not negatively affect the economic value of equity by more than 10% or projected annual net interest income by more than 20%.

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

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

	2020 $		**2019 $**	
	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	**7,849**	**(1,979)**	9,231	(2,632)
200 bp decrease in rates	**4,806**	**1,902**	4,424	2,529

(b) Other price risk

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

Liquidity risk

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

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

- Investing in a stock of high quality liquid assets (HQLA);
- Ensuring liquidity funding sources are sufficient to meet the requirements for normal operating mode, emergency operating mode, and bridge operations;
- Complying with the requirements of the Group Clearer, which is based on the Bank of Canada's Standing Liquidity Facility;
- Maintaining a *Liquidity Crisis Management Plan* document, and a *Capital & Liquidity Options for Credit Unions* document and disseminating to credit unions;
- Undertaking stress testing to assist in identifying, measuring and controlling liquidity risks and assessing liquidity sufficiency in case of both internal and market-wide stress events; and
- Maintaining an investment grade rating of R1-low.

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

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The Financial Management Advisory Committee has the authority to set liquidity risk strategies for the balance sheet within the risk tolerances in the *Financial Management Policy*. In addition, this committee reviews compliance to mandatory liquidity requirements and monitors the liquidity position and projections, including the results of stress testing. In the normal course of business SaskCentral enters into contracts that give rise to commitments of future minimum payments which affect liquidity.

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

2020
$

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

2019
$

	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans payable	23,085	-	-	-	23,085
Central 1 line of credit	37,647	-	-	-	37,647
Notes payable	49,966	-	-	-	49,996
Total exposure	110,698	-	-	-	110,698

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

	2020 $		2019 $	
	System-wide LCR	Stand-alone LCR	System-wide LCR	Stand-alone LCR
Policy limit	**120%**	**110%**	120%	110%
Actual	**279%**	**151%**	278%	163%

SaskCentral also evaluates liquidity quality of investments using the liquidity score. The liquidity score is an internal rating system originally developed by all Group Clearing participants. Ratings range from 0 to 4 with 0 indicating the investment is illiquid and 4 indicating the investment can be sold immediately to any dealer. The policy limit describes a liquidity score of 3.0 or better. The liquidity score was 3.3 at December 31, 2020 (2019 – 3.4).

SaskCentral's liquidity risk objectives and methodologies have not changed materially from December 31, 2019.

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5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Instrument	Classification	Fair value as at 2020 $	2019 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets					
Government	FVTOCI	**13,525**	33,926	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	**1,386,792**	1,332,457	Level 2	
Corporate					
Corporate debt	FVTOCI	**13,753**	44,565	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	**778,005**	545,324	Level 2	
Chartered banks	FVTOCI	**139,247**	114,553	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	FVTPL and designated FVTPL	**210,686**	273,623	Level 2	
Co-operatives (1)	FVTOCI	**4,924**	4,425	Level 2	Discounted cash flow. Future cash flows based on projected operating results of the entity and terminal growth rate of 2%. Discount rate ranging 10% - 11%.
MAVIII	FVTPL	**10**	179	Level 2	Market comparable prices using dealer quoted prices.
Exchange Traded Funds	FVTPL	**7,776**	-	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.
Derivative assets					
Index-linked term deposits	FVTPL	**6,855**	8,556	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.

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

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

Instrument	Classification	Fair value as at 2020 $	2019 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial liabilities					
Deposits	Designated FVPTL	**2,346,561**	2,147,746	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	**6,855**	8,556	Level 2	Discounted cash flow. Future cash flows are estimated based on observable market inputs (third party quotes, pricing on trading venues and prices for comparable transactions) and a discount rate derived from relevant market inputs for each asset class.

(1) Certain co-operative securities with a carrying value at December 31, 2020 of $1,115 (2019 - $1,115) are not included in this note as these securities are carried at cost because cost is the appropriate estimate of fair value.

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

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

There were no transfers between Level 1, 2 or 3 during the year.

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

	Carrying value as at 2020 $	2019 $	Fair value as at 2020 $	2019 $	Fair value hierarchy	Valuation technique(s)
Financial assets						
Commercial loans	**14,811**	2,261	**14,797**	2,258	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
Central 1 subordinated debt	**7,000**	7,000	**6,981**	6,908	Level 2	
Financial liabilities						
Deposits (1)	**187,857**	95,487	**187,857**	95,487	Level 2	Discounted cash flows based on current market rates of interest for similar maturities.
Loans payable	**10,017**	23,085	**10,009**	23,056	Level 2	
Notes payable	**29,996**	49,966	**29,996**	49,966	Level 2	

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

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6. CAPITAL MANAGEMENT

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

SaskCentral manages its capital by monitoring, on a quarterly basis, a number of regulatory requirements as prescribed by CUDGC and by internal Board and operational policies. The regulatory capital ratio (Borrowing Multiple) calculation is specified in the CUDGC *Capital Adequacy Requirements Prudential Standard 2017-02* for SaskCentral. Annually, SaskCentral develops a three-year capital plan that is reviewed with the Audit and Risk Committee. This capital plan discusses the components of capital, the assumptions and risk factors, the capital and financial position, and provides alternatives to support organizational growth.

The Borrowing Multiple is an important measure for SaskCentral as it determines the level of borrowings to total regulatory capital in the organization. Total borrowings are comprised of total deposits, notes payable, loans payable and liabilities related to derivative contracts, excluding index-linked term deposits. The Borrowing Multiple is not to exceed 20.0 times total borrowings as prescribed by CUDGC. Internal board policy for this ratio is set at 17.0 times. Operationally, management targets a maximum ratio of 16.0 times.

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

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

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

	2020 **$**	**2019** **$**
Capital		
Tier 1 and Tier 2 regulatory capital	**583,609**	574,878
Less deductions:		
Substantial investments	**401,420**	392,173
Assets of little value	**9,060**	7,504
Total borrowing multiple capital	**173,129**	175,201
Borrowing multiple	**14.9:1**	13.4:1

7. CASH AND CASH EQUIVALENTS

	2020 **$**	**2019** **$**
Cash and balances with Central 1	**137,023**	-
Cash and balances with banks	**13,862**	6,115
Cash equivalents	**-**	114,701
	150,885	120,816

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8. SECURITIES

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 70% (2019 – 77%) of the portfolio bears interest at fixed rates and pays interest semi-annually and/or upon maturity. The remainder of the portfolio earns interest at variable rates and pays interest monthly or quarterly, provides a return of dividends over varying periods of time or provides an index-linked return.

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

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

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

Continued on the following page.

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8. SECURITIES (continued)

	2020 (continued) $					
	Term to maturity					
	Within 3 months	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
FVTPL						
Chartered banks						
Fair value	-	-	-	-	**29,984**	**29,984**
Amortized Cost	-	-	-	-	**29,427**	**29,427**
Yield [1]					**5.58%**	**5.58%**
Co-operatives						
Fair value	-	-	-	-	**1,115**	**1,115**
Amortized Cost	-	-	-	-	**1,115**	**1,115**
Exchange Traded Funds						
Fair Value	-	-	-	-	**7,776**	**7,776**
Amortized Cost	-	-	-	-	**7,635**	**7,635**
Yield	-	-	-	-	-	**24.5%**
MAV						
Fair value	-	-	-	**10**	-	**10**
Total FVPTL fair value	-	-	-	**10**	**38,875**	**38,885**
Total amortized cost	-	-	-	-	**38,177**	**38,177**
Amortized cost						
Central 1 subordinated debentures						
Amortized cost	-	-	-	**7,000**	-	**7,000**
Yield[1]				**0.56%**		**0.56%**
Total amortized cost	-	-	-	**7,000**	-	**7,000**
Total carrying value of securities						**2,562,833**
Accrued interest						**9,368**
Allowance for credit losses [note 11]						**(7)**
						2,572,194

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

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8. SECURITIES (continued)

	2019 $					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
FVTOCI						
Government						
Fair value	9,748	10,640	13,538	-	-	33,926
Amortized cost	9,743	10,627	13,489	-	-	33,859
Yield (1)	1.94%	1.86%	2.10%			1.98%
Corporate debt (2)						
Fair value	14,989	22,147	7,429	-	-	44,565
Amortized cost	14,987	22,113	7,311	-	-	44,411
Yield (1)	2.10%	2.43%	2.97%			2.41%
Chartered banks						
Fair value	33,449	5,004	76,100	-	-	114,553
Amortized cost	33,454	4,990	75,388	-	-	113,832
Yield (1)	1.83%	2.37%	2.58%			2.35%
Co-operatives						
Fair value	-	-	-	-	4,425	4,425
Amortized cost	-	-	-	-	944	944
Total FVTOCI fair value	58,186	37,791	97,067	-	4,425	197,469
Total FVTOCI amortized cost	58,184	37,730	96,188	-	944	193,046
Designated FVTPL						
Government						
Fair value	300,095	275,252	722,422	34,688	-	1,332,457
Amortized cost	300,187	275,292	718,696	33,920	-	1,328,095
Yield (1)	1.75%	1.79%	2.05%	2.43%	-	1.94%
Corporate debt (2)						
Fair value	43,913	184,711	316,700	-	-	545,324
Amortized cost	43,915	184,469	314,484	-	-	542,868
Yield (1)	2.04%	2.26%	2.51%			2.38%
Chartered banks						
Fair value	15,457	111,275	132,380	-	-	259,112
Amortized cost	15,462	111,324	132,355	-	-	259,141
Yield (1)	1.74%	1.78%	2.07%			1.93%
Total designated FVTPL fair value	359,465	571,238	1,171,502	34,688	-	2,136,893
Total designated FVTPL amortized cost	359,564	571,085	1,165,535	33,920	-	2,130,104

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

Continued on the following page.

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8. SECURITIES (continued)

	2019 (continued) $					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
FVTPL						
Chartered banks						
Fair value	-	-	-	-	14,511	14,511
Amortized Cost	-	-	-	-	14,408	14,408
Yield [(1)]					4.23%	4.23%
Co-operatives						
Fair value	-	-	-	-	1,115	1,115
Amortized Cost	-	-	-	-	1,115	1,115
MAV						
Fair value	-	-	-	179	-	179
Total FVPTL fair value	-	-	-	179	15,626	15,805
Total amortized cost	-	-	-	-	15,523	15,523
Amortized cost						
Central 1 subordinated debentures						
Amortized cost	-	-	-	7,000	-	7,000
Yield[(1)]				2.18%		2.18%
Total amortized cost	-	-	-	7,000	-	7,000
Total carrying value of securities						2,357,167
Accrued interest						9,099
Allowance for credit losses [note 11]						(7)
						2,366,259

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

Notes to Separate Financial Statements

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8. SECURITIES (continued)

Unrealized gains and losses on securities

	2020 $			
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**
FVTOCI securities				
Government	**13,497**	**28**	**-**	**13,525**
Corporate and chartered banks	**150,591**	**7,356**	**(23)**	**157,924**
	164,088	**7,384**	**(23)**	**171,449**
Designated FVTPL securities				
Government	**1,372,266**	**14,859**	**(333)**	**1,386,792**
Corporate and chartered banks	**942,612**	**16,105**	**(10)**	**958,707**
	2,314,878	**30,964**	**(343)**	**2,345,499**
FVTPL securities				
Chartered banks and co-operatives	**38,177**	**711**	**(3)**	**38,885**
	38177	**711**	**(3)**	**38,885**
	2,517,143	**39,059**	**(369)**	**2,555,833**

	2019 $			
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**
FVTOCI securities				
Government	33,859	70	(3)	33,926
Corporate and chartered banks	159,187	4,363	(7)	163,543
	193,046	4,433	(10)	197,469
Designated FVTPL securities				
Government	1,328,095	4,979	(617)	1,332,457
Corporate and chartered banks	802,009	3,062	(635)	804,436
	2,130,104	8,041	(1,252)	2,136,893
FVTPL securities				
Chartered banks and co-operatives	15,523	282	-	15,805
	15,523	282	-	15,805
	2,338,673	12,756	(1,262)	2,350,167

MAV, which consist of pools of assets, issued notes on January 19, 2009, to replace non-bank sponsored or third party ABCP which had experienced a liquidity event or market disruption in 2007. During the year SaskCentral received $77 (2019 - $111) of principal and interest payments on the MAV notes held.

There were no credit impaired (Stage 3) securities in either 2020 or 2019.

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9. DERIVATIVE ASSETS AND LIABILITIES

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

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

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

Derivatives currently held or issued are for non-trading purposes.

Notional amounts and term to maturity

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

			2019 $		
	Within 3 months	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**Total**
Index-linked term deposits	10,977	17,037	51,416	-	79,430

Fair value of derivative instruments

	2020 $		2019 $	
	Positive	**Negative**	**Positive**	**Negative**
Index-linked term deposits	**6,855**	**6,855**	8,556	8,556

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Amounts expected to be recovered or settled

	2020 $		**2019 $**	
	Positive	**Negative**	**Positive**	**Negative**
Within 12 months	**2,260**	**2,260**	2,378	2,378
After 12 months	**4,595**	**4,595**	6,178	6,178
	6,855	**6,855**	8,556	8,556

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

10. LOANS

	2020 $	**2019 $**
Credit union	**1,107**	26,019
Commercial loans	**14,811**	2,261
	15,918	28,280
Accrued interest	**6**	18
Allowance for credit losses [note 11]	**(16)**	(5)
	15,908	28,293

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

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

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10. LOANS (continued)

2019	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Credit union					
Amortized cost ($)	26,019	-	-	-	26,019
Rate (%)	3.48%				3.48%
Commercial loans					
Amortized cost ($)	-	-	2,261	-	2,261
Rate (%)			3.95%		3.95%
Amortized cost	26,019	-	2,261	-	28,280

11. ALLOWANCE AND NET PROVISION FOR CREDIT LOSSES

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

	2020 $	2019 $
Allowance on financial assets at amortized cost		
Balance as at January 1	**13**	24
Provision for credit (recoveries) losses on financial assets	**10**	(11)
Balance at December 31	**23**	13
Allowance on financial assets at FVTOCI		
Balance as at January 1	**39**	21
Provision for credit (recoveries) losses on financial assets	**(2)**	18
Balance at December 31	**37**	39
Total allowance for credit losses		
Balance as at January 1	**52**	45
Provision for credit losses (recoveries) on financial assets	**8**	7
Balance at December 31	**60**	52

For the purpose of impairment assessment, the investments in financial assets above are considered to have low credit risk as the counterparties to these investments have an investment grade credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the allowance for credit losses is measured at an amount equal to a 12-month ECL. There is no lifetime allowance at December 31, 2020.

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

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

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12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Concentra Bank

At December 31, 2020, SaskCentral holds 84.02% (2019 – 84.02%) of the voting common shares of Concentra Bank. Concentra Bank provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers. Concentra Bank's registered place of business is Saskatoon, Saskatchewan.

Celero Solutions

At December 31, 2020, SaskCentral has a 33.33% (2019 – 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.

PPJV

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

CUPS

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

CUC Wealth

At December 31, 2020 SaskCentral has a 10.92% (2019 – 10.92%) interest in CUC Wealth, which was created to hold SaskCentral, Atlantic Central, Central 1, Credit Union Central of Manitoba, Alberta Central and the Co-operators investment share in Aviso. CUC Wealth's principal place of business is Winnipeg, Manitoba.

SEF JV

At December 31, 2020, SaskCentral has a nil (2019 – 45.45%) interest in SEF JV, which was created to undertake and carry out the investment and deployment of capital to small and mid-sized businesses in Saskatchewan requiring less than $1 million in capital. On June 30, 2020, SEF JV was dissolved. As part of the dissolution, a final payment of $170 was issued to SaskCentral, which resulted in $nil gain or loss. SEF JV's principal place of business was Regina, Saskatchewan.

Effective December 15, 2020, CUVentures LP and CUVentures Inc. have been dissolved. Prior to dissolution of CUVentures LP and CUVentures Inc., SaskCentral owned SEF JV through its 100% (2019– 100%) ownership of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral had control over CUVentures LP. CUVentures LP's principal place of business was Regina, Saskatchewan

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

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

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

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

			2019 $			
	Assets	**Liabilities**	**Revenue**	**Profit (loss)**	**Other comprehensive income (loss)**	**Total comprehensive income**
Concentra Bank	8,944,702	8,442,814	321,908	30,082	3,079	33,161
Celero Solutions	58,793	38,390	65,727	8,019	-	8,019
CUPS	6,624	3,683	24,980	2,941	-	2,941
CUC Wealth	122,804	8,245	18,208	16,287	412	16,699
SEF JV	625	95	4	(4)	-	(4)
	9,133,548	8,493,227	403,827	57,325	3,491	60,816

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

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

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

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

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

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

2019	**Concentra Bank equity components**		**SaskCentral's carrying amount**
	$	**%**	**$**
Ending share capital	245,239		
Concentra shares held by other common shareholders	(16,192)		
Concentra shares held by Class A preferred shareholders	(110,987)		
SaskCentral's portion of share capital	118,060		118,060
Ending retained earnings	253,414		
Accumulated other comprehensive income	3,235		
Retained earnings at date of asset transfer (January 1, 2005) [(1)]	(22,628)	55.76%	12,617
Dividend on 2005 earnings [(1)]	2,579	55.76%	(1,438)
Retained earnings prior to continuance [(2)]	(168,905)	84.30%	142,387
Retained earnings attributable to common shareholders	67,695	84.02%	56,877
			328,504
Goodwill			(19,248)
Fair value increase as result of change in control [(2)]			48,343
Accumulated amortization of fair value differential [(2)]			4,337
Other adjustments			(930)
Carrying amount of SaskCentral's investment in Concentra Bank			361,006

[(1)] On January 1, 2005, a significant portion of SaskCentral's financial assets and financial liabilities were transferred to Concentra Financial. In exchange for net assets transferred, SaskCentral received additional non-voting Class A shares. As a result, in 2005, SaskCentral's ownership interest at January 1, 2005 was 55.76%. SaskCentral's portion of non-voting Class A dividend received from Concentra Financial in 2005 was 55.76%, or $1,438.
[(2)] On January 1, 2017, Concentra Financial ceased operations as an association governed by the CCAA and continued as a Schedule 1 chartered bank governed by the Bank Act (Canada). Prior to the bank continuance, SaskCentral held 84.02% of the non-voting Class A shares. As a result of the bank continuance, Concentra Bank became a subsidiary of SaskCentral on January 1, 2017.

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

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

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

	2019 $			
	Celero Solutions	**CUPS**	**CUC Wealth**	**SEF JV**
Net assets of the associates and joint operations	20,403	2,941	114,559	530
Proportion of SaskCentral's ownership interest	33.33%	50.00%	10.92%	45.45%
	6,801	1,471	12,510	241
Fair value differential upon acquisition	-	-	19,386	-
Accumulated amortization of fair value differential	-	-	(924)	-
Other adjustments	19	63	-	-
Carrying amount of SaskCentral's interest in associates and joint operations	6,820	1,534	30,972	241

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

	2020 $	**2019 $**
Concentra Bank	**4,512**	4,512
Celero Solutions	**1,307**	1,317
CUPS	**1,534**	1,324
CUC Wealth	**83**	26
SEF JV	**170**	-
	7,606	7,179

13. PROPERTY, PLANT AND EQUIPMENT

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

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

		2019 $		
	Land	**Building**	**Furniture and equipment**	**Total**
Cost				
Balance as at January 1	859	12,977	2,717	16,553
Additions	-	142	56	198
Disposals	-	(5)	(106)	(111)
Ending balance as at December 31	859	13,114	2,667	16,640
Accumulated depreciation				
Balance as at January 1	-	8,816	2,190	11,006
Depreciation charges	-	340	170	510
Disposals	-	(5)	(79)	(84)
Ending balance as at December 31	-	9,151	2,281	11,432
Carrying value as at December 31	859	3,963	386	5,208

14. INVESTMENT PROPERTY

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

	2020 $	**2019 $**
Cost		
Balance as at January 1	**11,449**	11,449
Ending Balance as at December 31	**11,449**	11,449
Accumulated Depreciation		
Balance as at January 1	**2,265**	2,064
Depreciation charges	**201**	201
Ending Balance as at December 31	**2,466**	2,265
Carrying Value as at December 31	**8,983**	9,184

The fair value of SaskCentral's investment property at December 31, 2020 is $15,375 (2019 - $18,881). The fair value of the investment property has been arrived at on the basis of a valuation completed by management.

The fair value was determined using an income approach. The estimate of fair value by management was developed based on current and future income that could be generated by the investment property through rents based on estimated market rates. In estimating the fair value of the investment property, the highest and best use of the investment property is the current use.

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14. INVESTMENT PROPERTY (continued)

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

Income approach	2020	2019
Rent per square foot (in actual Canadian dollars)	**\$10 - \$16**	\$11 - \$17
Parking rate per month (in actual Canadian dollars)	**\$208.00**	\$195.94
Vacancy rate	**15.37%**	8.44%
Capitalization rate	**7.5%**	7.5%

In 2020, investment property generated rental income of \$2,306 (2019 - \$3,419). Direct operating expenses recognized in the separate income statement were \$1,631 (2019 - \$1,785).

15. INTANGIBLE ASSETS

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

	2019 \$		
	Computer software	Intangible assets under development	Total
Cost			
Balance as at January 1	2,134	-	2,134
Additions	-	47	47
Ending balance as at December 31	2,134	47	2,181
Accumulated amortization			
Balance as at January 1	2,119	-	2,119
Amortization charges	3	-	3
Ending balance as at December 31	2,122	-	2,122
Carrying value as at December 31	12	47	59

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16. INCOME TAXES

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

	2020 $	2019 $
Deferred income tax recovery		
Origination and reversal of temporary differences	**(1,410)**	(683)
	(1,410)	(683)

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

	2020 $	2019 $
Net unrealized gains on financial instruments		
Deferred income tax expense	**796**	274
	796	274
Reclassification of gains on financial instruments		
Deferred income tax recovery	**(4)**	(6)
	(4)	(6)
Own credit risk reserve		
Deferred income tax (recovery) expense	**(862)**	477
	(862)	477
	(70)	745

Total income tax reported in the separate financial statements:

	2020 $	2019 $
	(1,480)	62

Reconciliation of income tax (recovery) expense from continuing operations:

	2020 $	2019 $
Combined federal and provincial income tax rate applied to income from		
Continuing operations (2020 – 27%; 2019 – 27%)	**5,651**	9,505
Income tax expense adjusted for the effect of:		
Non-taxable dividend income	**(89)**	(136)
Expenses not deductible for tax purposes	**21**	56
Adjustments related to prior periods	**(61)**	(458)
Tax not recorded on equity pick-up of subsidiary	**(4,091)**	(6,431)
Reduction in income taxes due to payment of dividends	**(2,709)**	(2,902)
Amounts taxed at other than general income tax rate	**(132)**	(317)
	(1,410)	(683)

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16. INCOME TAXES (continued)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 21% (2019 - 21%). The movement in deferred income tax asset (liability) is as follows:

	2020 **$**	**2019** **$**
Balance, beginning of year	**7,310**	7,372
Recognized in profit or loss	**1,410**	683
FVTOCI:		
Fair value measurement	**63**	(751)
Transfer to profit or loss	**4**	6
Balance, end of year	**8,787**	7,310

The components of deferred income taxes are as follows:

	2020 **$**	**2019** **$**
Deferred income tax assets		
Non-capital loss carryforward	**14,701**	11,911
Accounts payable and deferred revenue	**111**	120
Losses not yet deductible for tax purposes	**71**	90
Other	**3**	-
	14,886	12,121
Deferred income tax liabilities		
Securities	**(5,388)**	(4,235)
Property, plant and equipment	**(711)**	(576)
	(6,099)	(4,811)
Net deferred income tax asset	**8,787**	7,310

	2020 **$**	**2019** **$**
Deferred income tax assets		
Recoverable after more than 12 months	**14,886**	12,121
	14,886	12,121
Deferred income tax liabilities		
Payable after more than 12 months	**(6,099)**	(4,811)
	(6,099)	(4,811)
Net deferred income tax asset	**8,787**	7,310

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 $54,446 (2019 - $44,114) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the years 2030 ($7,237), 2032 ($1,447), 2037 ($17,958), 2038 ($18,007) and 2040 ($ 9,797). The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

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17. DEPOSITS

Provincial Liquidity Program

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

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

2020
$

	Term to maturity						
	On Demand	**Within 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Member							
Amortized cost	**187,857**	**-**	**-**	**-**	**-**	**-**	**187,857**
Yield (1)	**0.02%**						**0.02%**
Provincial liquidity program							
Designated FVTPL (2)	**-**	**100,009**	**299,567**	**980,788**	**1,754**	**959,068**	**2,341,186**
Yield (1)	**-**	**1.70%**	**1.62%**	**1.76%**	**0.94%**	**0.36%**	**1.17%**
	187,857	**100,009**	**299,567**	**980,788**	**1,754**	**959,068**	**2,529,043**
Accrued interest							**5,375**
							2,534,418

(1) represents weighted average effective interest rates based on year-end carrying values.
(2) the amortized cost of deposits designated at FVTPL at December 31, 2020 is equal to $2,313,806, resulting in cumulative unrealized losses on these deposits of $27,380.

2019
$

	Term to maturity						
	On Demand	**Within 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**No fixed maturity**	**Total**
Member							
Amortized Cost	95,487	-	-	-	-	-	95,487
Yield (1)	0.10%						0.10%
Provincial liquidity program							
Designated FVTPL (2)	-	159,580	374,948	849,330	-	757,269	2,141,127
Yield (1)		1.64%	1.98%	2.17%		1.89%	2.00%
	95,487	159,580	374,948	849,330	-	757,269	2,236,614
Accrued interest							6,619
							2,243,233

(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, 2019 is equal to $2,135,644 resulting in cumulative unrealized gains on these deposits of $5,483.

Interest rates on deposits are determined by market conditions.

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18. LOANS AND NOTES PAYABLE

Repurchase payable

SaskCentral has available credit facilities related to securities repurchase agreements from National Bank Financial, Toronto Dominion Bank, Royal Bank of Canada and Bank of Nova Scotia. These repurchase agreements mature within one month (2019 – one month).

Lines of credit

In addition, SaskCentral has a credit facility with Central 1 for $100,000 (2019 - $100,000) for which SaskCentral has pledged securities with the Bank of Canada to support the group clearing agreement (note 27). The balance of the credit facility is unsecured, ranking equally with the deposit obligations of SaskCentral. SaskCentral also has a secured credit facility with Canadian Imperial Bank of Commerce for $50,000 (2019 - $50,000) 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% (2019 – banker's acceptance rate plus 0.45%).

Notes payable

SaskCentral is authorized to issue a maximum of $300,000 (2019 - $300,000) under a commercial paper program. Outstanding commercial paper matures within one month (2019 – one month).

Secured funding facilities

SaskCentral has access to a liquidity facility offered by the Bank of Canada, namely the Standing Term Liquidity Facility (STLF). SaskCentral had no outstanding balance (2019 – $nil) under this facility. STLF advances are secured by Eligible Collateral as per the terms and conditions of the STLF.

	Loans and notes payable		**Collateral**			
			Securities pledged			
			Fair value		**Carrying value**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**	**$**	**$**
Repurchase payable (1)	**10,017**	23,085	**10,009**	23,056	**10,000**	22,991
Central 1 line of credit (2)	**-**	37,647	**182,779**	179,717	**175,404**	176,855
Commercial paper (3)	**29,996**	49,966	**-**	-	**-**	-
	40,013	110,698	**192,788**	202,773	**185,404**	199,846

(1) Weighted average effective interest rate based on year-end carrying values is 0.29% (2019 – 1.90%).
(2) Weighted average effective interest rate based on year-end carrying values is 0.25% (2019 – 1.75%).
(3) Weighted average effective interest rate based on year-end carrying values is 0.36% (2019 – 2.00%).

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19. SHARE CAPITAL

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

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

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

SaskCentral's bylaws require that credit unions maintain either Class A or Class B membership share capital in SaskCentral at a minimum of 0.60% and a maximum of 1% of their previous year's assets. During 2020, SaskCentral repatriated $nil (2019 - $608) of Class A membership shares as a result of credit unions holding more than the maximum 1% of their previous year assets.

Class A membership shares

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

Class A membership shares may be redeemed only with the approval of the Board subject to the limits provided in the Act. The redemption price is determined with reference to the bylaws of SaskCentral. In accordance with the bylaws of SaskCentral, Class A membership shares are to be issued and redeemed at $10 per share. Upon liquidation or dissolution of SaskCentral, the Class A membership shareholders will be entitled to receive $10 per share prior to the holders of the Class B membership shares. Following the distribution of the $10 per share to both Class A and B members, the Class A shareholders are entitled to share equally, on a share by share basis, with the Class B membership shares in the remaining assets of SaskCentral.

At December 31, 2020, 16,868,995 Class A membership shares (2019 – membership shares of 16,542,424) were issued and outstanding. Membership shares issued during the year were exchanged for cash.

Class B membership shares

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

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

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19. SHARE CAPITAL (continued)

Investment shares

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

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

20. DIVIDENDS

In 2020, dividends of $14,542 (2019 - $15,260) were declared, as approved by the Board. Of the amount recognized in 2020, on December 7, 2020, the Board approved payment of a dividend of $1,128 to be paid to credit unions on January 15, 2021.

21. NET INTEREST INCOME

	2020 $	2019 $
Interest income		
Financial assets measured at amortized cost	**686**	1,440
Financial assets measured at FVTOCI	**4,087**	5,993
Financial assets measured at FVTPL	**1,326**	968
Financial assets designated at FVTPL	**34,714**	43,293
	40,813	51,694
Interest expense		
Financial liabilities measured at amortized cost	**534**	2,087
Financial liabilities designated at FVTPL	**34,216**	42,134
	34,750	44,221
Net interest income	**6,063**	7,473

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22. DUES, ASSESSMENT REVENUE AND FEE FOR SERVICE REVENUE

Disaggregation of revenue

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

	2020 $	2019 $
Dues and assessment revenue		
Services transferred over time		
Liquidity management assessment	**4,963**	6,833
Dues and other assessment revenue	**462**	2,276
	5,425	9,109

	2020 $	2019 $
Fee for service revenue		
Services transferred at a point in time		
Deposit and lending education	**257**	405
Clearing and settlement	**-**	445
	257	850
Services transferred over time		
Consulting	**4,660**	5,322
Management oversight	**2,059**	1,433
Other revenue		
Tenant revenue	**2,624**	4,437
Parking revenue	**288**	352
Foreign exchange revenue	**7**	18
Miscellaneous revenue	**25**	7
	9,663	11,569
	9,920	12,419

23. SALARY AND EMPLOYEE BENEFITS

	2020 $	2019 $
Contributions to defined contribution plans	**455**	442
Employee training and development	**85**	122
Other employee benefits	**591**	653
Salaries and incentive compensation	**7,968**	9,440
	9,099	10,657

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

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23. SALARY AND EMPLOYEE BENEFITS (continued)

Due to COVID-19, the Government of Canada implemented the COVID-19 Economic Response Plan. Under the plan SaskCentral is eligible for the Canada Emergency Wage Subsidy (CEWS). The subsidy, retroactive from March 15, 2020 to December 19, 2020, supports eligible Canadian businesses impacted by COVID-19. The program is divided into ten four week periods. To be eligible for the first period businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reduction of greater than 30%. For the remaining periods, a sliding scale based on overall revenue reduction in each period is used. SaskCentral recorded a wage subsidy of $1,192 (2019 - $nil) under the CEWS program. SaskCentral has recognized the subsidy as a reduction in salaries.

24. PROFESSIONAL AND ADVISORY SERVICES

	2020 $	2019 $
Concentra Bank consulting fees	**640**	620
Professional fees	**5,369**	6,023
	6,009	6,643

25. GAIN ON FINANCIAL INSTRUMENTS

	2020 $	2019 $
Realized gains arising on financial assets measured as at FVTOCI	**15**	52
Unrealized gains arising on financial assets measured at FVTPL	**426**	1,286
Unrealized gains arising on financial assets designated as at FVTPL	**23,830**	11,998
Realized gains arising on financial assets designated as at FVTPL	**973**	486
Unrealized losses arising on financial liabilities designated as at FVTPL	**(21,897)**	(11,598)
Reclassification of net change in fair value on financial liabilities designated as at FVTPL from profit or loss to OCI (own credit risk reserve)	**3,193**	(1,767)
	6,540	457

26. RELATED PARTY TRANSACTIONS

Related parties exist when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other or is a member of the key management personnel of SaskCentral. SaskCentral defines key management personnel as directors and the management positions of Chief Executive Officer, Executive Vice-President Finance / Chief Financial Officer / Chief Risk Officer, Executive Vice-President Credit Union Solutions / Chief People Officer, Associate Vice-President Legal / Corporate Secretary, Associate Vice-President Finance, Associate Vice-President Financial Reporting & Strategy, Associate Vice-President Technology, Associate Vice-President Professional Services & Solutions, Associate Vice-President Strategic Initiatives & Member Relations, and Associate Vice-President Strategic Solutions.

Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Related party loan balances are included with groups of loans with similar credit risk characteristics when assessing impairment.

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26. RELATED PARTY TRANSACTIONS (continued)

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

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

	2020 $	2019 $
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	**1,811**	2,261
Due from included in trade and other receivables	**80**	81
Due to included in trade and other payables	**1,114**	1,036
Interest received from	**62**	107
Fee for service revenue received from	**968**	945
Technology services paid to	**9,561**	10,419
Concentra Bank		
Lines of credit authorized to	**100,000**	100,000
Loans receivables from (amount drawn on line of credit)	**-**	403
Collateral received from	**20,350**	20,603
Due from included in trade and other receivables	**11**	63
Deposits payable to	**24,359**	16,170
Due to included in trade and other payables	**83**	49
Interest received from	**58**	153
Fee for service revenue received from	**1,142**	1,695
Financial services fees paid to	**765**	671
PPJV		
Lines of credit authorized to	**17,000**	-
Loans receivables from (amount drawn on line of credit)	**13,000**	-
Fee for service revenue received from	**4**	-
Services charges paid to	**136**	-
CUPS		
Services charges paid to	**-**	5

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26. RELATED PARTY TRANSACTIONS (continued)

Key management compensation

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

	2020 $	2019 $
Directors		
Salaries and other short-term employee benefits	**117**	150
Post-employment benefits	**5**	7
	122	157
Key management personnel		
Salaries and other short-term employee benefits	**2,767**	2,895
Post-employment and other long-term benefits	**179**	182
	2,946	3,077
	3,068	3,077

27. COMMITMENTS

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

	2020 $	2019 $
Lines of credit and loan commitments		
Original term to maturity of one year or less	**572,284**	518,350

Contractual commitments

As of December 31, 2020, SaskCentral has significant contractual commitments made on behalf of credit unions for data, management, risk management, technology management support and telecommunication services. In addition, SaskCentral also has contractual commitments for its own operations. The contracts have varying terms over 5 years.

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

	2021 $	2022 $	2023 $	2024 $	2025 $	Total
Contractual commitments	3,804	1,340	638	258	199	6,239

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.

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27. COMMITMENTS (continued)

Prairie Payments Joint Venture Agreement

Under the terms of the *Prairie Payments Joint Venture Agreement*, the revenues, expenses, losses and costs of capital projects of PPJV belong to and are borne exclusively and in equal share by the joint venturers. Each joint venturer 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 2027 for the development and operation of a payments processing platform. SaskCentral's proportionate share of these commitments is $38,514.

28. APPLICATION OF NEW AND REVISED IFRSs

Amendments to IAS 1 and IAS 8, Definition of material

The amendments are intended to make the definition of material in IAS 1, *Presentation of Financial* Statements (IAS 1) easier to understand and not intended to alter the underlying concept of materiality in the IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning or after January 1, 2020. The application of the amendments to IAS 1 and IAS 8 has had no impact on SaskCentral's separate financial statements.

Amendment to IFRS 3, Definition of a business

Effective January 1, 2020, SaskCentral adopted amendments to IFRS 3, *Business Combinations* (IFRS 3). The amendments to IFRS 3 provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. It is applied prospectively for annual periods beginning on or after January 1, 2020. The implementation of the amendments to IFRS 3 did not have any impact on SaskCentral's consolidated financial statements.

CONSOLIDATED MANAGEMENT DISCUSSION AND ANALYSIS

This section of the annual report, providing management's discussion and analysis (MD&A) of the consolidated results of SaskCentral, should be read in conjunction with the audited consolidated financial statements and notes as at and for the year ended December 31, 2020. For the purpose of SaskCentral's consolidated MD&A, SaskCentral refers to the consolidated entity, including its downstream investees, Concentra Bank, Prairie Payments Joint Venture (PPJV), Celero Solutions and CU CUMIS Wealth Holdings LP (CUC Wealth).

The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is dated March 9, 2021 and provides comments regarding SaskCentral's financial and operating results, risk management, capital management and business outlook.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

SASKCENTRAL'S STRATEGIC PARTNERS

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

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

Strategic Partner	Accounting Classification
Concentra Bank	Subsidiary
CUPS (transferred to PPJV on January 1, 2020)	Investment in joint operation
Celero Solutions	Investment in associate
CUC Wealth	Investment in associate
CUVentures LP (dissolved December 15, 2020)	Subsidiary
PPJV	Investment in associate
SEF (dissolved June 30, 2020)	Investment in associate

On January 1, 2020, SaskCentral entered into a joint venture agreement with Alberta Central and Credit Union Central of Manitoba to administer the outsourcing of payments processing capability with IBM Canada Ltd, previously performed by CUPS. The PPJV provides payment services and related support services to the members of its owners as well as to other organizations. The joint venturers, SaskCentral, Alberta Central and Credit Union Central of Manitoba, each have one-third interest in the joint venture. Prior to the establishment of the PPJV, CUPS, a joint venture of SaskCentral and Alberta Central, provided aggregated payment processing, clearing and settlement functions to credit unions. CUPS services were migrated to the PPJV in 2020.

Of these strategic partners, Concentra Bank is the most significant in terms of assets, liabilities, and profit generated. Specific details on Concentra Bank's financial performance consolidated in the results below have not been identified in this report. For further information on Concentra Bank's 2020 financial results, please visit their website at www.concentra.ca.

2020 SASKCENTRAL CONSOLIDATED FINANCIAL PERFORMANCE

Results Overview

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

Consolidated Financial Highlights

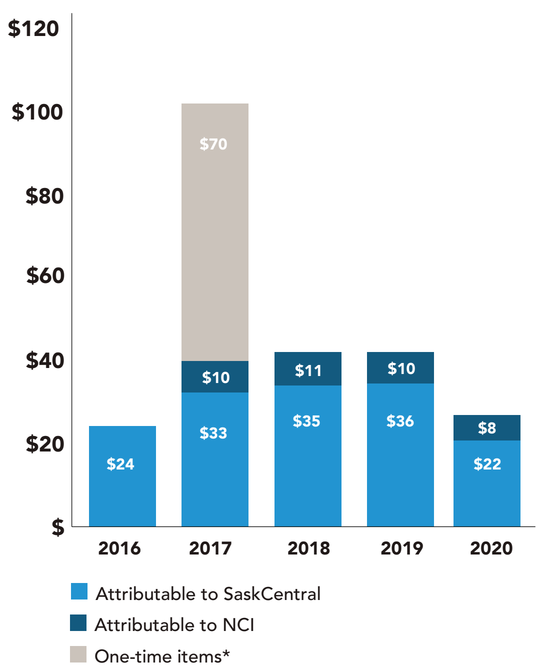
December 31 (in thousands)	**2020** **$**	2019 $	2018 $	2017 $	2016 $
Income from continuing operations					
Net interest income after provision for credit losses	**89,530**	96,824	108,521	99,941	10,999
Non-interest income	**42,686**	63,525	52,876	97,495	53,256
Non-interest expense	**94,925**	103,030	97,885	92,210	33,307
Income tax expense (recovery)	**7,055**	11,910	17,986	(7,911)	7,139
Net income	**30,236**	45,409	45,526	113,137	23,809
Distribution of income					
Dividends (includes non-controlling interests)	**20,505**	21,223	41,075	19,894	13,715
Distribution as a % of average share capital	**12.3%**	12.9%	25.3%	12.3%	9.1%
Financial Position					
Securities	**3,724,597**	3,128,436	2,995,653	3,077,842	2,131,450
Loans	**8,843,532**	7,586,152	8,311,602	7,721,935	45,057
Deposits	**8,845,155**	6,607,380	7,039,434	5,998,315	2,009,060
Equity	**781,276**	758,047	726,357	711,060	437,327

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

Profitability

SaskCentral's profit was $30.2 million (2019 – $45.4 million), of which $7.9 million (2019 – $9.5 million) is attributable to non-controlling interests (NCI). Concentra Bank contributed $25.4 million to SaskCentral's consolidated profit in 2020 (2019 – $30.1 million).

Consolidated Profits (in millions)



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

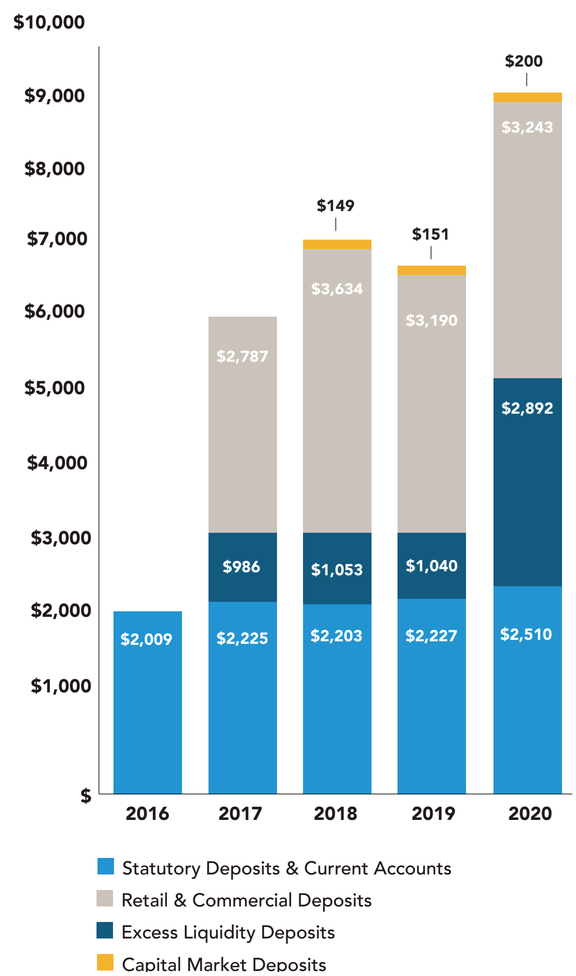
Growth

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

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

SaskCentral's deposits, excluding excess liquidity, retail, commercial and capital market deposits increased by 12.7% over prior year (2019 – 1.1% increase). Statutory liquidity deposits increased 9.3% (2019 – 6.0% increase) and credit union cash balances increased by 106.1% (2019 – 55.2% decrease). Credit unions continue to experience high levels of liquidity due to the pandemic relative to historical average.

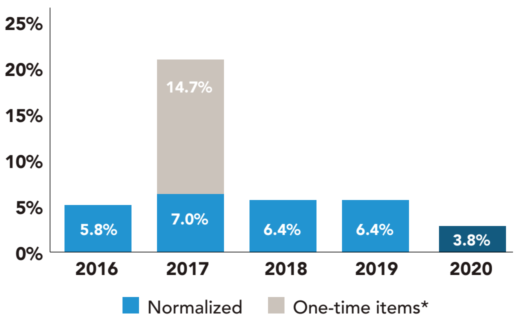
Consolidated Deposits (in millions)



Return on Equity

Equity attributable to SaskCentral increased by $19.6 million over 2019. Modest earnings offset by dividends paid to credit unions resulted in a net increase to retained earnings of $8.0 million. Credit unions subscribed to $3.3 million (2019 - $3.2 million) in membership share capital during the year. For 2020, SaskCentral's ROE decreased to 3.8% (2019 – 6.4%).

Consolidated Return on Equity



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

2021 OUTLOOK

Please refer to the Separate MD&A for discussion on SaskCentral's 2021 outlook.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

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

Changes in Accounting Policies

Amendments to IAS 1 and IAS 8, Definition of Material

On January 1, 2020 amendments to IAS 1, *Presentation of Financial Statements* (IAS 1) & IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) became effective. The amendments are intended to make the definition of material easier to understand and does not alter the underlying concept of materiality in the IFRS Standards. Application of the amendments have had no impact on SaskCentral's consolidated financial statements.

Amendment to IFRS 3, Definition of a business

Effective January 1, 2020, SaskCentral adopted amendments to IFRS 3, *Business Combinations* (IFRS 3). The amendments to IFRS 3 provide clarification on the definition of a business. The implementation of the amendments to IFRS 3 did not have any impact on SaskCentral's consolidated financial statements.

For further details on the application of IAS 1 and IAS 8 amendments, refer to note 32 of SaskCentral's consolidated financial statements.

Future Changes in Accounting Policies

Refer to note 2.25 of the consolidated financial statements for details on new standards and interpretations that have not yet been adopted as at December 31, 2020. The extent of the impact of adopting new standards and interpretations has not yet been determined.

Impact of COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continues to have a significant adverse impact on the Canadian economy. Public health measures implemented in several jurisdictions to limit the spread of the virus resulted in temporary restrictive measures placed upon non-essential businesses during 2020. Further restrictive public health measures implemented in the fourth quarter to curb the second wave of the COVID-19 pandemic present the risk that economic activity could be adversely impacted beyond original expectations. SaskCentral continues to operate in an uncertain macroeconomic environment at this time.

The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgement in evaluating the economic environment and its impact on significant estimates. Management has incorporated the anticipated impact of COVID-19 in estimates and judgments of the consolidated financial statements to the extent known at this time. Actual results could differ from these estimates and assumptions. SaskCentral has demonstrated resilience in these uncertain times and continues to support credit unions and the safety and wellbeing of employees.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Credit Union Central of Saskatchewan

Management has responsibility for preparing the accompanying consolidated financial statements and ensuring that all information in the annual report is consistent with the consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with International Financial Reporting Standards.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained. The system of internal controls is further supported by Audit Services staff, who regularly reviews all aspects of SaskCentral's operations. The Board of Directors and the Audit and Risk Committee are composed entirely of directors who are neither management nor employees of SaskCentral. The Audit and Risk Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

Credit Union Deposit Guarantee Corporation of Saskatchewan reviews the activities of SaskCentral to ensure compliance with the *Cooperative Credit Associations Act* and the *Credit Union Central of Saskatchewan Act*, *2016*, to ensure the safety of depositors and members of SaskCentral and to ensure that SaskCentral is in sound financial condition. Their findings are reported directly to management.

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

Shawn L. Good,
Chief Executive Officer

SDLucas

Sheri Lucas,
Executive Vice-President of Finance / Chief Financial Officer / Chief Risk Officer
March 9, 2021

AUDIT AND RISK COMMITTEE REPORT TO THE MEMBERS

To the Members of Credit Union Central of Saskatchewan

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

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

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

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

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

Mitchell Anderson

Mitchell Anderson
Chair, Audit and Risk Committee
March 9, 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte LLP
2103 - 11th Avenue
9th Floor
Bank of Montreal Building
Regina SK S4P 3Z8
Canada

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

Independent Auditor's Report

To the Members of
Credit Union Central of Saskatchewan

Opinion

We have audited the consolidated financial statements of Credit Union Central of Saskatchewan (the "Company"), which comprise the consolidated balance sheet as at December 31, 2020, 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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
March 9, 2021

CONSOLIDATED BALANCE SHEET

[in thousands of Canadian dollars]

As at December 31

	2020 $	2019 $
Assets		
Cash and cash equivalents [note 7]	**1,032,094**	589,402
Securities [note 8]	**3,724,597**	3,128,436
Derivative assets [note 9]	**22,732**	20,578
Loans [note 10]	**8,843,532**	7,586,152
Other securitization assets [note 12]	**93,162**	76,286
Trade and other receivables	**11,747**	6,210
Other assets	**3,835**	3,546
Investments in associates [note 13]	**34,025**	38,034
Property, plant and equipment [note 14]	**28,018**	25,639
Investment property [note 15]	**6,009**	6,290
Intangible assets [note 16]	**6,431**	5,222
Current income tax assets	**6,333**	329
Deferred income tax assets [note 17]	**24,299**	22,001
Goodwill	**41,979**	41,979
	13,878,793	11,550,104
Liabilities		
Deposits [note 18]	**8,845,155**	6,607,380
Derivative liabilities [note 9]	**25,005**	20,855
Loans and notes payable [note 19]	**254,758**	530,571
Securitization liabilities [note 12]	**3,917,579**	3,544,295
Trade and other payables	**18,013**	62,859
Other liabilities [note 20]	**20,857**	13,679
Current income tax liabilities	**56**	284
Deferred income tax liabilities [note 17]	**16,094**	12,134
	13,097,517	10,792,057
Equity		
Share capital [note 21]	**168,690**	165,424
Retained earnings	**418,722**	410,688
Accumulated other comprehensive income	**11,821**	3,476
Total equity attributable to equity holders of SaskCentral	**599,233**	579,588
Non-controlling interest [note 29]	**182,043**	178,459
	781,276	758,047
	13,878,793	11,550,104

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

	2020 $	2019 $
Interest income		
Securities	**62,958**	77,843
Loans	**268,533**	266,327
	331,491	344,170
Interest expense		
Deposits	**138,661**	151,860
Loans and notes	**5,583**	9,695
Securitization liabilities	**72,601**	68,936
Other direct expenses	**16,214**	9,955
	233,059	240,446
Net interest income [note 23]	**98,432**	103,724
Provision for credit losses [note 11]	**8,902**	6,900
Net interest income after provision for credit losses	**89,530**	96,824
Non-interest income		
Dues and assessment revenue [note 24]	**4,894**	8,709
Fee for service [note 24]	**26,186**	42,211
Gain on financial instruments [note 26]	**14,147**	6,268
Share of (losses) profits in associates [note 13]	**(2,541)**	3,351
Gain on sale of assets held for sale [note 30]	**-**	2,986
	42,686	63,525
Net interest and non-interest income	**132,216**	160,349
Non-interest expense		
Salary and employee benefits [note 25]	**55,321**	53,526
Professional and advisory services	**11,284**	15,508
Computer and office equipment	**10,730**	11,639
Occupancy	**3,672**	5,103
General business	**13,918**	17,254
	94,925	103,030
Profit for the year before income taxes	**37,291**	57,319
Income tax expense [note 17]	**7,055**	11,910
Profit for the year	**30,236**	45,409
Attributable to:		
Owners of SaskCentral	**22,338**	35,886
Non-controlling interest	**7,898**	9,523
	30,236	45,409

See accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2020 $	2019 $
Profit for the year	**30,236**	45,409
Other comprehensive income (loss)		
Items that will be reclassified subsequently to profit or loss:		
Financial assets at FVTOCI		
Net unrealized gains on FVTOCI securities and loans during the year	**23,938**	6,844
Reclassification of gains on FVTOCI securities and loans disposed of in the year	**(433)**	(2,133)
Reclassification of impairment losses on FVTOCI securities and loans [note 11]	**290**	196
Cash flow hedges		
Net (losses) gains on derivatives designated as cash flow hedges	**(7,121)**	804
Reclassification of losses (gains) on derivatives designated as cash flow hedges to profit or loss	**391**	(779)
Share of other comprehensive income of associates	**93**	91
Income tax relating to items that will be reclassified subsequently [note 17]	**(4,595)**	(1,401)
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]	**(3,193)**	1,767
Income tax related to items that will not be reclassified subsequently [note 17]	**862**	(477)
Other comprehensive income for the year, net of tax	**10,232**	4,912
Total comprehensive income for the year	**40,468**	50,321
Attributable to:		
Owners of SaskCentral	**30,921**	40,306
Non-controlling interest	**9,547**	10,015
	40,468	50,321

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, 2018	**162,832**	**390,294**	**1,580**	**(2,756)**	**551,950**	**174,407**	**726,357**
Profit for the year	-	35,886	-	-	35,886	9,523	45,409
Other comprehensive income for the year, net of tax	-	-	3,130	1,290	4,420	492	4,912
Increase in share capital, net of repatriation	2,592	-	-	-	2,592	-	2,592
Dividends [notes 22 and 29]	-	(15,260)	-	-	(15,260)	(5,963)	(21,223)
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	-	(232)	-	232	-	-	-
Profit for the year	-	35,886	-	-	35,886	9,523	45,409
Balance as at December 31, 2019	**165,424**	**410,688**	**4,710**	**(1,234)**	**579,588**	**178,459**	**758,047**
Profit for the year	**-**	**22,338**	**-**	**-**	**22,338**	**7,898**	**30,236**
Other comprehensive income (loss) for the year, net of tax	**-**	**-**	**10,914**	**(2,331)**	**8,583**	**1,649**	**10,232**
Increase in share capital	**3,266**	**-**	**-**	**-**	**3,266**	**-**	**3,266**
Dividends [notes 22 and 29]	**-**	**(14,542)**	**-**	**-**	**(14,542)**	**(5,963)**	**(20,505)**
Reclassification of own credit risk on derecognition of related financial liabilities, net of tax	**-**	**238**	**-**	**(238)**	**-**	**-**	**-**
Balance as at December 31, 2020	**168,690**	**418,722**	**15,624**	**(3,803)**	**599,233**	**182,043**	**781,276**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2020 $	2019 $
Cash flows from (used in) operating activities		
Profit for the year	**30,236**	45,409
Adjustments to determine net cash used in operating activities:		
Depreciation of property, plant and equipment and investment property	**2,546**	1,950
Other amortization/accretion	**7,261**	544
Gain on financial instruments [note 26]	**(14,147)**	(6,268)
Net interest income [note 23]	**(98,432)**	(103,724)
Provision for credit losses [note 11]	**8,902**	6,900
Gain on sale of assets held for sale [note 30]	**-**	(2,986)
Share of losses (profits) in associates, net of losses	**2,541**	(3,351)
Income tax expense [note 17]	**7,055**	11,910
Changes in operating assets and liabilities:		
Loans, net of repayments and sales	**(1,276,006)**	708,325
Trade and other (payables) receivables	**(48,775)**	23,861
Other assets	**(115)**	(2,024)
Deposits, net of withdrawals	**2,214,093**	(436,454)
Securitization liabilities, net of repayments	**431,991**	(453,217)
Loans and notes payable, net of repayments	**(276,130)**	149,912
Other liabilities	**(12)**	3
Interest received	**343,045**	345,700
Dividends received	**331**	502
Interest paid	**(219,493)**	(239,669)
Net realized losses from derivatives	**(1,699)**	(2,063)
Net realized losses from derivatives designated as cash flow hedges	**(5,566)**	(356)
Income taxes paid	**(15,359)**	(17,892)
Cash flows from operating activities	**1,092,267**	27,012
Cash flows from (used in) financing activities		
Proceeds from issuance of share capital	**3,266**	3,200
Repatriation of share capital	**-**	(608)
Dividends paid to members [note 22]	**(14,542)**	(15,260)
Dividends paid to non-controlling interest [note 29]	**(5,963)**	(5,963)
Cash outflow for lease financing	**(349)**	(211)
Cash flows used in financing activities	**(17,588)**	(18,842)

Continued on following page

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

[in thousands of Canadian dollars]

Year ended December 31

	2020 $	2019 $
Cash flows from (used in) investing activities		
Purchase of securities	**(4,885,881)**	(7,148,804)
Proceeds from sales of securities	**4,254,710**	7,057,471
Distributions from investments in associates [note 13]	**1,560**	1,343
Additions to property, plant and equipment, net of disposals	**(135)**	(361)
Proceeds from disposal of assets held for sale [note 30]	**-**	19,039
Additions to intangible assets, net of disposals	**(2,241)**	(3,042)
Cash flows used in investing activities	**(631,987)**	(74,354)
Net decrease in cash and cash equivalents	**442,692**	(66,184)
Cash and cash equivalents, beginning of year	**589,402**	655,050
Cash of assets held for sale, beginning of year [note 30]	**-**	536
Cash and cash equivalents, end of year	**1,032,094**	589,402

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020
in thousands of Canadian dollars

1. REPORTING ENTITY

Credit Union Central of Saskatchewan and its subsidiaries (collectively "SaskCentral") is a company domiciled in Canada. The address of SaskCentral's registered office is 2055 Albert Street, Regina, Saskatchewan, S4P 3G8. SaskCentral is incorporated under *The Credit Union Central of Saskatchewan Act, 2016* (the Act). Under the Act, Credit Union Deposit Guarantee Corporation of Saskatchewan (CUDGC) has regulatory responsibilities for SaskCentral.

SaskCentral functions as a liquidity manager and key service supplier on behalf of and for Saskatchewan credit unions. SaskCentral also maintains business relationships with, and investments in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank, Prairie Payments Joint Venture (PPJV), CUPS Payment Services (CUPS), Celero Solutions and CU CUMIS Wealth Holdings LP (CUC Wealth) as described in notes 13, 29 and 30.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board on March 9, 2021.

(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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

(b) Basis of measurement (continued)

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

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

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

(d) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about key sources of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are described in note 3.

(e) COVID-19 pandemic considerations

The Canadian economy experienced significant disruption and market volatility related to the global COVID-19 pandemic. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of the COVID-19 virus, as well as government economic response and support efforts.

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

2.2 Basis of consolidation

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

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

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

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

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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

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

The following entities are included in these consolidated financial statements:

Concentra Bank – SaskCentral owns 84.02% (2019 – 84.02%) of the common shares of Concentra Bank and controls Concentra Bank; as such, these consolidated statements include the assets and liabilities and results of the operations of this subsidiary.

Concentra Trust – Concentra Bank owns 100% (2019 – 100%) of the common shares of Concentra Trust; as such these consolidated financial statements include the assets and liabilities and results of the operations of this wholly owned subsidiary.

CUVentures LP – On December 15, 2020, CUVentures LP and CUVentures Inc. were dissolved and wound down. Prior to December 15, 2020, SaskCentral owned 100% (2019 – 100%) of CUVentures LP as a result of SaskCentral's 100% ownership (2019 – 100%) of CUVentures Inc., the General Partner; as such, these consolidated financial statements include the assets and liabilities and results of the operations of this wholly owned subsidiary.

(a) Acquisition of control

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to note 2.23 for the accounting policy on goodwill.

2.3 Investments in associates

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

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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Investments in associates (continued)

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% (2019 – 33.33%) interest in Celero Solutions and has concluded that Celero Solutions is considered an investment in associate. Celero Solutions is accounted for in these consolidated financial statements using the equity method.

CU CUMIS Wealth Holdings LP (CUC Wealth) – SaskCentral has a 10.92% (2019 – 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.

Prairie Payments Joint Venture (PPJV) - On January 1, 2020, SaskCentral entered into a joint venture agreement with Alberta Central and Credit Union Central of Manitoba to administer the outsourcing of payments processing capabilities with IBM Canada Ltd., previously performed by CUPS. The PPJV provides payment services and related support services to the members of its owners as well to other organizations. The joint venturers, SaskCentral, Alberta Central and Credit Union Central of Manitoba, each have one-third interest in the joint venture. On January 1, 2020, all previous services performed by CUPS were transferred to PPJV. See note 3 for further information on the transition of assets and liabilities of CUPS to PPJV.

Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV) – On June 30, 2020, SEF JV was dissolved. On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP had 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which had a 45.45% (2019– 45.45%) interest in SEF JV. SaskCentral concluded that SEF JV is an investment in an associate and was accounted for in these consolidated financial statements using the equity method.

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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Interests in joint operations (continued)

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:

CUPS – Prior to the formation of PPJV on January 1, 2020, SaskCentral owned a 50% interest in CUPS and accounted for its share of assets, liabilities, revenue and expenses, which are recorded following SaskCentral's accounting policies for these assets, liabilities, revenues and expenses.

2.5 Sale and repurchase agreements

Securities sold subject to repurchase agreements are treated as collateralized borrowing transactions when the transferee has the right by contract or custom to sell or repledge the collateral and are classified as FVTOCI and recorded at fair value. Obligations related to assets sold under repurchase agreements are recorded in loans and notes payable (note 19). Interest incurred on repurchase agreements is included in loans and notes interest expense.

2.6 Financial instruments

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

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

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

(a) Financial assets

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

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(a) Financial assets (continued)

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.

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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(a) Financial assets (continued)

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.

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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(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, 2020.

(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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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.

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.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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 delinquency 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.

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'.

December 31, 2020
in thousands of Canadian dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 or a high probability of the borrower entering a financial reorganization;
- 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 assets that back that loan.

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

Forward looking information

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

Macroeconomic factors

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

Multiple forward-looking scenarios

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

Multiple forward-looking scenarios (continued)

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

SaskCentral will typically probability weight the 'base case' scenario most heavily as it represents the most likely outcome and is aligned with information used by SaskCentral for other purposes such as planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes. The forward-looking macroeconomic scenario described below reflects our best estimate as at December 31, 2020. The rapidly evolving nature of this pandemic and its impacts on the economy, along with government relief and stimulus, has led to continuously changing macroeconomic assumptions. Hindsight cannot be used, so while these evolving assumptions may result in future forecasts that differ from those used in the ECL estimation as at December 31, 2020, those changes will be reflected in future quarters.

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

	12-month forecast				Remaining 4-year forecast			
Macroeconomic variables	**Base case**	**Alternative Scenario 1**	**Alternative Scenario 2**	**Alternative Scenario 3**	**Base case**	**Alternative Scenario 1**	**Alternative Scenario 2**	**Alternative Scenario 3**
Bank of Canada interest rates (%)	**0.25**	**0.30**	**0.20**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Canadian equity index	**17,012**	**18,618**	**14,771**	**12,747**	**17,897**	**19,658**	**16,701**	**15,430**
Canadian unemployment (%)	**8.1**	**7.3**	**8.6**	**10.6**	**7.0**	**6.3**	**7.7**	**9.1**
GDP growth (% change)	**5.2**	**6.34**	**4.22**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
House price index (% change)	**0.64**	**1.17**	**0.33**	**(1.56)**	**6.07**	**9.09**	**5.36**	**7.10**
Oil price ($USD)	**44.68**	**49.26**	**36.47**	**28.21**	**59.96**	**65.76**	**57.02**	**41.19**

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

(d) Impairment of financial assets (continued)

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 FVOCI debt instrument the accumulated unrealized fair value gains and losses, together with the impairment reserve, are recycled from AOCI to the consolidated statement of profit or loss.

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

Modified financial assets

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

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

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

2.7 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.

2.8 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.

2.9 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.

2.10 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Derivative financial instruments and hedge accounting (continued)

Hedge accounting

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

Cash flow hedge

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

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.

2.11 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Revenue recognition

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

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

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

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

Dues and assessment revenue

SaskCentral collects dues and other assessment revenue from credit union members to fund various products and services such as corporate governance, member relations, network services, system memberships and sponsorships. These services give member credit unions access to a wealth of expertise. Saskatchewan credit unions pay an annual assessment fee to SaskCentral based on a charge per membership (50% of the dues assessment) and a charge on assets (50% of the dues assessment). The assessment of operating dues-funded functions is determined annually based on an operating dues budget which is subsequently approved by the Board for which payment is due immediately upon demand. The services are rendered over time and performance obligations are satisfied in the same manner; therefore, revenues are recognized over time. In the instance when revenue from dues exceeds related expenses materially, there is an element of variable consideration. It is considered highly probable that a significant reversal in the cumulative revenue for dues will not occur given historical level of refunds in prior years.

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 the size of member credit unions' liquidity deposits held at SaskCentral. 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Revenue recognition (continued)

(a) SaskCentral revenue recognition (continued)

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.

Clearing and settlement fee

SaskCentral charges a transaction fee to ensure timely and accurate clearing and settlement services are provided to Saskatchewan credit unions and their members. Total transactions cleared and settled in a month are billed to credit unions on a per-transaction basis, for which payment is due immediately. Therefore, revenue is recognized at a point in time based on the right to invoice.

Rental revenue

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

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Revenue recognition (continued)

(b) Concentra Bank revenue recognition (continued)

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.

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. At this point Concentra Bank is entitled to deduct its fee from the estate. When Concentra Bank provides specified services to a third-party executor/administrator, revenue is recognized as the related services are performed. Billing and payment occurs upon completion of the agreed upon services.

2.13 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 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.

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.

2.15 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Property, plant and equipment (continued)

The applicable depreciation periods are as follows:

Buildings	40 years
Building components	20 years
Building improvements	5 to 35 years
Furniture and equipment	3 to 20 years

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

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

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

2.16 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.

2.17 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 two to five years.

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Impairment of non-financial assets

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

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

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

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date and when there is an indication that reversal of the impairment may have occurred. Upon reversal of an impairment loss the carrying amount is increased to the revised recoverable amount and the revised recoverable amount does not exceed the carrying amount had the impairment loss not been recognized in prior years. The reversal is recognized in the consolidated statement of profit or loss immediately. No non-financial assets were impaired in 2020 or 2019.

2.19 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, amortization of property, plant and equipment, accrued expenses, the effective interest method, and carry-forward amounts.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Taxation (continued)

(b) Deferred tax (continued)

Deferred income tax is not recognized for the following: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries to the extent SaskCentral is able to control the timing of the reversal of the temporary difference and to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. A deferred tax asset is recognized for differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will reverse in the future and that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

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

2.20 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.

2.21 Employee benefits

(a) Pension benefits

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits (continued)

(b) Short-term employee benefits

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.

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

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

(c) Termination benefits

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

2.22 Provisions

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

2.23 Dividends

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

2.24 Goodwill

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Goodwill (continued)

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

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

2.25 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.

2.26 New standards and interpretations not yet adopted

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB), which are not effective for these consolidated financial statements. Those which could have an impact on SaskCentral's consolidated financial statements are discussed below.

Interest rate benchmark reform

In August 2020, the IASB finalized its Phase 2 response to the ongoing Inter-bank Offered Rate (IBOR) and other interest rate benchmark reforms by issuing a package of amendments to IFRS standards which focus on accounting and disclosure matters that will arise once an existing benchmark rate is replaced with an alternative benchmark rate. The amendments provide practical expedients if contract modifications result directly from IBOR reform and occur on an economic equivalent basis. In these cases, changes may be accounted for by updating the effective interest rate. Further, existing hedging relationships are not required to be discontinued if changes in hedge documentation are required solely by IBOR reform. The amendments are effective for SaskCentral's fiscal year beginning January 1, 2021 with early adoption permitted. SaskCentral is currently assessing the impact and extent of disclosure requirements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical judgments in applying accounting policies

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

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

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.

Impairment of goodwill

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

Control of Concentra Bank

Concentra Bank is a subsidiary of SaskCentral as a result of SaskCentral's ability to call a special resolution vote on any matter or Board decision related to Concentra Bank and its 84.02% (2019 - 84.02%) voting interest in Concentra Bank. In addition, SaskCentral has the power to appoint and remove four out of the twelve directors of Concentra Bank. Management has concluded that SaskCentral has control due to SaskCentral's ability to call a special resolution on any matter and its power to appoint and remove directors of Concentra Bank.

Business combination

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

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Significant influence over Celero Solutions

SaskCentral has significant influence over Celero Solutions by virtue of its 33.33% (2019– 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.

Control of CUVentures LP

On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP was a subsidiary of SaskCentral as a result of SaskCentral's 100% (2019– 100%) ownership of CUVentures Inc., the General Partner. In addition, SaskCentral had the power to appoint and remove two out of two directors of CUVentures Inc. SaskCentral also owned 100% (2019 - 100%) of the partnership units of CUVentures LP. Management concluded that SaskCentral had control over CUVentures LP since SaskCentral had 100% of the voting power of CUVentures Inc., who has the full power and authority to make all decisions on behalf of CUVentures LP.

Significant influence over Saskatchewan Entrepreneurial Fund Joint Venture

On December 15, 2020, CUVentures LP was dissolved and wound down. Prior to December 15, 2020, CUVentures LP had 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which had a 45.45% share in Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). On June 30, 2020, SEF JV was dissolved. Prior to June 30, 2020, SaskCentral had significant influence over SEF JV by virtue of SEF LP's 45.45% (2019 – 45.45%) interest in SEF JV. SaskCentral had the ability to appoint two out of five members (40%) to the Executive Committee of SEF JV. Management concluded that due to the lack of unanimous consent required to make decisions, SaskCentral did not have joint control of SEF JV. However, since SaskCentral had 40% of the voting power of SEF, through CUVentures LP, management concluded that SaskCentral had significant influence over SEF.

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% (2019 – 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.

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

Critical judgments in applying accounting policies (continued)

Classification of CUPS Payment Services as a joint operation

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

Prior to the formation of PPJV, SaskCentral owned 50% interest in CUPS in which unanimous consent is required for decision making. The remaining 50% interest in CUPS was owned by Alberta Central. Comparative figures for 2019 reflect SaskCentral's proportionate share of assets, liabilities, revenue and expenses of the CUPS joint operation. The legal form of the CUPS contractual arrangement gave SaskCentral and Alberta Central rights to the assets and obligations for the liabilities, in proportion to their proportionate share in the joint operation.

The CUPS contractual agreement between SaskCentral and Alberta Central stated that the gross revenues, expenses, income and losses of the joint operation shall belong to, be owned by and borne exclusively by SaskCentral and Alberta Central in proportion to their proportionate share in the joint operation. Management concluded that CUPS was a joint operation due to the fact that both SaskCentral and Alberta Central share proportionately the rights to the assets, obligations to the liabilities and share of profits or losses of CUPS.

Transfer of control of goods or services

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

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

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

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

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

Key sources of estimation uncertainty (continued)

Calculation of expected credit losses

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

Valuation of Concentra Bank

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

Income taxes

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

The deferred income tax liability recognized at December 31, 2020 is based on future profitability assumptions within the foreseeable future. SaskCentral has determined that it is not probable that the temporary differences relating to Concentra Bank will reverse in the foreseeable future. Therefore, no deferred tax liability has been recorded on the temporary differences related to Concentra Bank. In the event of changes to these profitability assumptions, the deferred income tax liability recognized may be adjusted.

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.

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4. FINANCIAL RISK MANAGEMENT

The *Financial Management Policy* outlines risk management activities that support the maintenance of sufficient liquidity while ensuring capital adequacy. As a financial institution, SaskCentral is exposed to the following risks as a result of holding financial instruments: credit risk, market risk, and liquidity risk. Concentra Bank manages risk independently of SaskCentral and as such, the entities are discussed separately for the purpose of this note.

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; and
- Limiting the use of derivatives.

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

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

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

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

The SaskCentral credit risk objectives, policies, and methodologies have not changed materially from December 31, 2019.

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Concentra Bank

Concentra Bank manages credit risk by:

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

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

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

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

Consolidated risk measurement

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

SaskCentral is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. In determining the credit quality of derivative instruments both SaskCentral's own credit risk and the risk of the counterparty are considered elements of the credit quality.

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

[1] *Excludes origination 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.*

	2019 $ Amount outstanding	Undrawn commitments [1]	Total
Cash and cash equivalents	589,402	-	589,402
Securities	3,128,443	-	3,128,443
Derivative assets	17,816	-	17,816
Loans	7,612,903	962,123	8,575,026
Investments in associates	38,034	-	38,034
Letters of credit and financial guarantees	-	38,990	38,990
Total exposure	11,386,598	1,001,113	12,387,711

[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.*

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

		2020 $			**2019 $**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans at amortized cost					
Low risk	**5,517,117**	**-**	**-**	**5,517,117**	4,548,877
Standard monitoring	**2,245,685**	**200,934**	**-**	**2,446,619**	2,218,995
Special monitoring	**-**	**94,575**	**-**	**94,575**	46,108
Default	**-**	**-**	**38,394**	**38,394**	49,047
Total exposure	**7,762,802**	**295,509**	**38,394**	**8,096,705**	6,863,027
Allowance for credit losses	**(10,495)**	**(9,855)**	**(14,398)**	**(34,748)**	(26,751)
Loans at FVTOCI					
Low risk	**177,321**			**177,321**	-
Standard monitoring	**573,322**	**22,111**	**-**	**595,433**	741,700
Special monitoring	**-**	**6,289**	**-**	**6,289**	5,555
Default	**-**	**-**	**2,532**	**2,532**	2,621
Total exposure	**750,643**	**28,400**	**2,532**	**781,575**	749,876
Impairment reserve (1)	**(942)**	**(529)**	**(372)**	**(1,843)**	(1,831)
Undrawn commitments and letters of credit (2)					
Low risk	**1,043,666**	**-**	**-**	**1,043,666**	688,313
Standard monitoring	**274,775**	**65,519**	**-**	**340,294**	312,800
Special monitoring	**-**	**6**	**-**	**6**	-
Default	**-**	**-**	**-**	**-**	-
Total exposure (3)	**1,318,441**	**65,525**	**-**	**1,383,966**	1,001,113
Allowance for credit losses	**(772)**	**(113)**	**-**	**(885)**	(724)
Securities at FVTOCI					
AAA/R1H	**701,314**	**-**	**-**	**701,314**	598,086
AA/R1M	**199,771**	**-**	**-**	**199,771**	74,690
A/R1L	**285,530**	**-**	**-**	**285,530**	218,461
BBB/R2H	**57,788**	**-**	**-**	**57,788**	26,367
BB/R2M	**9,454**	**-**	**-**	**9,454**	-
Unrated	**4,924**	**-**	**-**	**4,924**	4,425
Total exposure	**1,258,781**	**-**	**-**	**1,258,781**	922,029
Impairment reserve (1)	**(318)**	**-**	**-**	**(318)**	(127)
FVTPL securities					
AAA/R1H	**668,104**	**-**	**-**	**668,104**	814,786
AA/R1M	**612,681**	**-**	**-**	**612,681**	459,905
A/R1L	**776,004**	**-**	**-**	**776,004**	708,662
BBB/R2H	**327,080**	**-**	**-**	**327,080**	176,302
Unrated	**74,947**	**-**	**-**	**74,947**	39,759
Total exposure	**2,458,816**	**-**	**-**	**2,458,816**	2,199,414

(1) *Impairment reserves represent the accumulated ECLs which have been reclassified from OCI to net income since inception of the FVOCI debt instruments.*
(2) *Excludes origination commitments as they are not tied to specific borrowers and therefore do not represent a credit risk exposure. Refer to note 28 for more information.*
(3) *The total exposure for undrawn commitments represents the maximum amount SaskCentral is contractually committed to fund. Many of these contracts will expire without being drawn upon and thereby reduce SaskCentral's credit risk from the maximum commitment.*

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Collateral and other credit enhancements

(a) Residential mortgages

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

As at December 31, 2020 67.2% (2019 – 69.9%) of SaskCentral's residential mortgages were insured against borrower default.

(b) Consumer loans

Certain loans within SaskCentral's consumer loans portfolios are treated as unsecured credit exposures due to the relatively poor collateral value provided by the underlying assets (used automobiles, home renovations, retail goods, etc.). Thus, as a further credit enhancement, SaskCentral has entered into an arrangement with its largest third party originator to provide a limited financial guarantee over the loans they originate. The guarantee is secured by a cash reserve held on deposit with SaskCentral and SaskCentral has the right to reimburse any credit losses experienced within the portfolio from the funds held in the reserve. The originator's guarantee is limited to the value of the cash reserve and SaskCentral has no further recourse against the originator should actual losses exceed the reserve amount. As at December 31, 2020 the cash reserve had a balance of $6,813 (2019 - $4,760) providing credit enhancement to $443,163 (2019 - $329,207) of SaskCentral's consumer loans.

(c) Commercial mortgages and loans

Approximately 80.4% (2019 – 85.3%) of SaskCentral's commercial portfolio consists of real estate and construction lending which are secured by a first charge mortgage over the underlying property. SaskCentral will also take collateral in the form of general security agreements over business assets and guarantees from shareholders and/or members of the corporate group when appropriate. SaskCentral does not routinely update the valuation of collateral held against its commercial loans as its ongoing risk management practices are focused around the general credit worthiness of the borrower rather than quality of collateral. Consequently, valuations of collateral are updated only when required to negotiate a significant restructuring/refinancing of an existing loan or to determine workout strategies for distressed assets.

Approximately 19.6% (2019– 14.7%) of SaskCentral's commercial portfolio consists of lines of credit to credit unions. SaskCentral doesn't hold any collateral on these line of credit to credit unions.

(d) Securities

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk by industry

Concentrations of credit risk indicate relative sensitivity of performance to developments affecting a particular industry or geographic region.

The following table summarizes the authorized credit exposures by industry for financial assets, excluding credit exposures on residential mortgages and consumer loans.

	2020 **$**	**2019** **$**
Agriculture, forestry, fishing & hunting	**109,273**	128,515
Automobile financing	**95,868**	103,434
Banking (Schedule 1)	**1,171,421**	918,933
Construction	**635,550**	497,385
Credit card issuing/financing	**-**	25,063
Diversified holdings	**-**	5,089
Health care and social assistance	**88,937**	12,759
Hospitality	**63,435**	87,272
Information	**132,683**	61,783
Insurance carriers and related activities	**997**	997
Local credit union	**667,132**	649,022
Manufacturing	**132,255**	136,815
Master asset vehicles	**10**	179
Mining & oil and gas extraction	**32,389**	44,758
Other non-depository (co-operatives)	**228,680**	58,643
Public administration (federal, provincial, and municipal government)	**2,019,655**	1,749,749
Real estate	**430,918**	497,692
Residential mortgages - conventional	**1,144**	1,133
Retail trade	**36,630**	57,126
Securities, commodity contracts and other FI's	**56,085**	34,348
Transportation and warehousing	**160,546**	93,600
Utilities	**235,958**	94,201
Wholesale trade	**17,313**	4,527
Other	**694,021**	600,499
Total exposure	**7,010,900**	5,863,522

Counterparty credit risk

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk arises from three components:

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

SaskCentral

SaskCentral manages market risk by:

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

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

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

SaskCentral's market risk objectives and methodologies have not changed materially from December 31, 2019.

Concentra Bank

Concentra Bank manages market risk by:

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

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

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Consolidated risk measurement

The market risk position is measured on a monthly basis. Measurement of risk is based upon key assumptions such as future interest rate movements, asset growth, and funding mix. The short term (next 12 months) risk position is assessed by measuring both the impact of an immediate 200 basis points (bp) shock and a 30% rate ramp scenario on the adjusted net interest income which is the net interest income adjusted for realized gains and losses on derivatives.

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

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

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

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

	2020		2019	
	Adjusted net interest income	**Economic value of equity**	**Adjusted net interest income**	**Economic value of equity**
Impact of:				
200 bp increase in rates	**38.22%**	**(2.79%)**	42.34%	(0.88%)
200 bp decrease in rates	**(15.37%)**	**6.03%**	(31.78%)	1.30%
Impact of:				
30% rate ramp increase	**3.74%**	**(0.15%)**	6.98%	(0.01%)
30% rate ramp decrease	**(3.51%)**	**1.12%**	(1.40%)	0.02%

The following represents the Concentra Bank market risk position:

	2020 $		2019 $	
	Adjusted net interest income	**Economic value of equity**	**Adjusted net interest income**	**Economic value of equity**
Impact of:				
100 bp increase in rates	**492**	**(7,732)**	2,954	3,940
100 bp decrease in rates [1]	**(397)**	**8,216**	(2,939)	(4,120)

[1] For 2020 and 2019, the rates have been adjusted to zero where effective rates at December 31 were less than zero after 100 bp decrease in rates.

December 31, 2020
in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk

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

SaskCentral

SaskCentral evaluates interest rate risk by determining the financial impact under a variety of scenarios. SaskCentral limits the impact of interest rate changes so that an immediate 200 bp parallel shift in the yield curve will not negatively affect the economic value of equity by more than 20% or projected annual net interest income by more than 40% and a 30% rate ramp scenario will not negatively affect the economic value of equity by more than 10% or projected annual net interest income by more than 20%.

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

	2020 $		**2019 $**	
	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	**7,849**	**(1,979)**	9,231	(2,632)
200 bp decrease in rates	**4,806**	**1,902**	4,424	2,529

Concentra Bank

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

December 31, 2020
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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

Consolidated risk measurement

	2020 $						
	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	**1,032,094**	**-**	**-**	**-**	**-**	**-**	**1,032,094**
Securities	**-**	**642,528**	**904,391**	**2,009,889**	**111,649**	**56,140**	**3,724,597**
Loans	**398,499**	**477,933**	**2,223,408**	**5,649,101**	**116,118**	**(21,527)**	**8,843,532**
Other securitization assets	**-**	**-**	**-**	**-**	**-**	**93,162**	**93,162**
Other non-sensitive assets	**-**	**-**	**-**	**-**	**-**	**188,697**	**188,697**
Total assets	**1,430,593**	**1,120,461**	**3,127,799**	**7,658,990**	**227,767**	**316,472**	**13,882,082**
Liabilities							
Deposits	**1,152,914**	**822,774**	**2,246,940**	**3,619,066**	**1,754**	**1,001,707**	**8,845,155**
Loans and notes payable	**40,278**	**69,114**	**144,320**	**-**	**-**	**1,046**	**254,758**
Securitization liabilities	**-**	**17,168**	**1,248,890**	**2,647,210**	**-**	**4,311**	**3,917,579**
Other non-sensitive liabilities	**-**	**-**	**-**	**-**	**-**	**83,314**	**83,314**
Equity attributable to equity holders	**-**	**-**	**-**	**-**	**-**	**599,233**	**599,233**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**182,043**	**182,043**
Total liabilities and equity	**1,193,192**	**909,056**	**3,640,150**	**6,266,276**	**1,754**	**1,871,654**	**13,882,082**
On-balance sheet gap	**237,401**	**211,405**	**(512,351)**	**1,392,714**	**226,013**	**(1,555,182)**	**-**
Notional amount of derivative financial instruments							
Pay side instruments	**-**	**(640,317)**	**(242,562)**	**(295,482)**	**(53,311)**	**(40,560)**	**(1,272,232)**
Receive side instruments	**-**	**742,514**	**166,962**	**268,885**	**53,311**	**40,560**	**1,272,232**
Derivative financial instruments gap	**-**	**102,197**	**(75,600)**	**(26,597)**	**-**	**-**	**-**
Total gap	**237,401**	**313,602**	**(587,951)**	**1,366,117**	**226,013**	**(1,555,182)**	**-**
Total cumulative gap	**237,401**	**551,003**	**(36,948)**	**1,329,169**	**1,555,182**	**-**	**-**

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4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(a) Interest rate risk (continued)

2019
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	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	589,402	-	-	-	-	-	589,402
Securities	1,724	575,314	722,149	1,742,739	55,971	30,539	3,128,436
Loans	563,363	376,180	1,982,242	4,582,020	95,503	(13,156)	7,586,152
Other securitization assets	-	-	-	160	-	76,126	76,286
Other non-sensitive assets	-	-	-	-	-	169,828	169,828
Total assets	1,154,489	951,494	2,704,391	6,324,919	151,474	263,337	11,550,104
Liabilities							
Deposits	710,407	576,499	1,770,428	2,748,688	-	801,358	6,607,380
Loans and notes payable	110,876	244,796	172,567	-	-	2,332	530,571
Securitization liabilities	-	-	831,838	2,708,490	-	3,967	3,544,295
Other non-sensitive liabilities	-	-	-	-	-	109,811	109,811
Equity attributable to equity holders	-	-	-	-	-	579,588	579,588
Non-controlling interest	-	-	-	-	-	178,459	178,459
Total liabilities and equity	821,283	821,295	2,774,833	5,457,178	-	1,675,515	11,550,104
On-balance sheet gap	333,206	130,199	(70,442)	867,741	151,474	(1,412,178)	-
Notional amount of derivative financial instruments							
Pay side instruments	-	(1,217,676)	(189,649)	(508,149)	(42,158)	(34,948)	(1,992,580)
Receive side instruments	-	944,413	521,574	454,987	36,658	34,948	1,992,580
Derivative financial instruments gap	-	(273,263)	331,925	(53,162)	(5,500)	-	-
Total gap	333,206	(143,064)	261,483	814,579	145,974	(1,412,178)	-
Total cumulative gap	333,206	190,142	451,625	1,266,204	1,412,178	-	-

(b) Other price risk

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

Liquidity risk

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

SaskCentral

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

- Investing in a stock of high quality liquid assets (HQLA);
- Ensuring liquidity funding sources are sufficient to meet the requirements for normal operating mode, emergency operating mode, and bridge operations;
- Complying with the requirements of the Group Clearer, which is based on the Bank of Canada's Standing Liquidity Facility;
- Maintaining a *Liquidity Crisis Management Plan* document and a *Capital & Liquidity Options for Credit Unions* document and disseminating to credit unions;
- Undertaking stress testing to assist in identifying, measuring and controlling liquidity risks and assessing liquidity sufficiency in case of both internal and market-wide stress events; and
- Maintaining an investment grade rating of R1-low.

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

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

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

SaskCentral uses three metrics to monitor liquidity risk: the SaskCentral stand-alone Liquidity Coverage Ratio (LCR), a system-wide LCR and a liquidity score. 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.

	2020		**2019**	
	System-wide LCR	**Stand-alone LCR**	**System-wide LCR**	**Stand-alone LCR**
Policy limit	**120%**	**110%**	120%	110%
Actual	**279%**	**151%**	278%	163%

SaskCentral also evaluates liquidity quality of investments using the liquidity score. The liquidity score is an internal rating system originally developed by all Group Clearing participants. Ratings range from 0 to 4 with 0 indicating the investment is illiquid and 4 indicating the investment can be sold immediately to any dealer. The policy limit describes a liquidity score of 3.0 or better. The liquidity score was 3.3 at December 31, 2020 (2019 – 3.4).

SaskCentral's liquidity risk objectives and methodologies have not changed materially from December 31, 2019.

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4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Concentra Bank

Concentra Bank manages liquidity risk by:

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

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

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

Throughout 2020 and 2019, Concentra Bank has been in compliance with the OSFI prescribed LAR Guideline.

In October 2014, the Basel Committee on Banking Supervision released its final document on the Net Stable Funding Ratio (NSFR). In December of 2018, notification was issued to domestic deposit taking institutions that OSFI is targeting implementation of the NSFR for January 1, 2020 for Domestic Systemically Important Banks. The application of NSFR to small and medium-sized institutions will be addressed by OSFI at a later date. SaskCentral continues to monitor developments related to liquidity requirements.

Consolidated risk measurement

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

December 31, 2020
in thousands of Canadian dollars

4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

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

2019
$

	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	710,407	576,499	1,770,428	2,748,688		801,358	6,607,380
Loans and notes payable	110,876	244,796	172,567	-	-	2,332	530,571
Securitization liabilities	-	-	831,838	2,708,490	-	3,967	3,544,295
Total exposure	821,283	821,295	2,774,833	5,457,178	-	807,657	10,682,246

Offsetting financial assets and liabilities

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

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4. FINANCIAL RISK MANAGEMENT (continued)

Offsetting financial assets and liabilities (continued)

The following table summarizes the financial assets and liabilities subject to master netting arrangements or similar arrangements and the potential impact of these arrangements on the consolidated balance sheet:

2020 $

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

(1) Amounts that are subject to master netting arrangements or similar agreements but were not offset because they did not meet the net settlement/simultaneous settlement criteria; or because the rights of set off are conditional upon the default of the counterparty only.
(2) Collateral received and pledged amounts are reflected at fair value but have been limited to the net balance sheet exposure so as not to include any over-collateralization.
(3) Not intended to represent SaskCentral's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to offsetting and collateral arrangements.

2019 $

	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet: Impact of master netting agreements or similar agreements (1)	Related amounts not set off in the balance sheet: Collateral received/ pledged (2)	Net amount (3)
Financial assets						
Derivative assets	20,578	-	20,578	(8,127)	(3,030)	9,421
Financial liabilities						
Derivative liabilities	20,855	-	20,855	(8,127)	-	12,728
Repurchase payable	140,344	-	140,344	-	(139,966)	378
Total financial liabilities	161,199	-	161,199	(8,127)	(139,966)	13,106

(1) Amounts that are subject to master netting arrangements or similar agreements but were not offset because they did not meet the net settlement/simultaneous settlement criteria; or because the rights of set off are conditional upon the default of the counterparty only.
(2) Collateral received and pledged amounts are reflected at fair value but have been limited to the net balance sheet exposure so as not to include any over-collateralization.
(3) Not intended to represent SaskCentral's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to offsetting and collateral arrangements.

December 31, 2020
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 2020 $	2019 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets					
Government	FVTOCI	**875,583**	733,057	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	Designated FVTPL	**1,386,792**	1,332,457	Level 2	
Corporate debt	FVTOCI	**160,077**	54,680	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	FVTPL and designated FVTPL	**782,551**	557,144	Level 2	
	FVTPL	**31,263**	-	Level 3	Market comparable prices, when available. Significant unobservable inputs include discount rates, capitalization rates, rent forecasts, market interest rates and credit spreads.
Asset-backed securities	FVTOCI	**-**	7,402	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
Chartered banks	FVTOCI	**208,354**	114,553	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg, or dealer quoted prices where applicable.
	FVTPL and designated FVTPL	**216,070**	275,236	Level 2	
Co-operatives [(1)]	FVTOCI	**10,842**	10,096	Level 2	Discounted cash flow. Future cash flows based on projected operating results of the entity and a terminal growth rate of 2% (2019 – 2%). Discount rate ranging 10% - 11% (2019 – 10% to 11%).
Exchange Traded Funds	FVTPL	**7,776**	-	Level 2	Market comparable prices using quoted bis prices obtained from Bloomberg.
MAV	FVTPL	**10**	179	Level 2	Market comparable prices using dealer quoted prices.

(1) Certain co-operative securities with a carrying value at December 31, 2020 of $25,942 (2019 - $26,147) 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.

December 31, 2020
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 2020 $	2019 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets (continued)					
Derivative assets					
Index-linked term deposits	FVTPL	**6,855**	8,556	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	**13,945**	10,042	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 swaps	FVTPL	**788**	1,645	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	**1,144**	335	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	**780,399**	748,574	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 ranges from 2.30% to 6.42% (2019 – 2.30% to 3.56%) with a change in fair value ranging from $3,164 to ($6,062) (2019 - $1,680 to ($3,086)).
Financial liabilities					
Deposits	Designated FVTPL	**2,341,186**	2,141,127	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.

December 31, 2020
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 2020 $	2019 $	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial liabilities (continued)					
Derivative liabilities					
Index-linked term deposits	FVTPL	**6,855**	8,556	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	**15,841**	11,512	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	**1,134**	331	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	**1,175**	456	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.

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

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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 for the year ended December 31, 2020:

	2020 $	2019 $
Level 3, beginning of year	**748,574**	1,112,530
Unrealized (losses) gains in profit or loss	**(596)**	-
Unrealized gains in OCI	**9,265**	1,378
Purchases/issuances	**251,079**	170,648
Sales/settlements	**(196,660)**	(535,982)
Transfer (out) in of Level 3	**-**	-
Level 3, end of year	**811,662**	748,574
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**31,265**	-

During the year ending December 31, 2020, SaskCentral purchased securities for which the fair value is derived using significant unobservable inputs. Securities classified as Level 3 instruments include investments in Canadian and U.S. credit and real estate pooled funds. Pooled fund investments are valued based on estimated fair values determined using appropriate techniques and best estimates by either the investment administrator, management of the pooled fund, or appraisers.

Where external appraisers are engaged to perform the valuation, the investment administrator ensures the appraisers are independent and compares the assumptions used with the administrator's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment. Significant unobservable inputs include discount rates, capitalization rates, rent forecasts, market interest rates and credit spreads. The year-end fair values of the pooled funds are provided by the investment administrator and are recorded based on net asset values. These net asset values are reviewed by management.

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

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

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

	Carrying value as at		Fair value as at			
	2020 $	2019 $	2020 $	2019 $	Fair value hierarchy	Valuation technique
Financial assets						
Loans	**15,924**	27,895	**15,918**	27,892	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
	8,081,957	6,836,434	**8,164,785**	6,795,537	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	**6,981**	6,908	Level 2	Discounted cash flows based on current market rates of interest for similar lending.
Financial liabilities						
Deposits [1]	**6,503,969**	4,466,253	**6,542,749**	4,478,776	Level 2	Discounted cash flows based on current market rates of interest for similar maturities.
Loans and notes payable	**254,758**	530,571	**254,485**	530,542	Level 2	
Securitization liabilities	**3,917,579**	3,544,295	**3,966,113**	3,528,942	Level 2	

[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.

6. CAPITAL MANAGEMENT

Concentra Bank manages and monitors capital independently of SaskCentral and as such, the entities are discussed separately for the purpose of this note.

SaskCentral

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

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6. CAPITAL MANAGEMENT (continued)

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 policy for this ratio is set at 17.0 times. Operationally, management targets a maximum ratio of 16.0 times.

Regulatory capital is allocated to two tiers: Tier 1 and Tier 2. Tier 1 regulatory capital comprises the more permanent components of capital and consists of share capital and retained earnings, excluding AOCI and goodwill. CUDGC monitors SaskCentral on a non-consolidated basis, as such for the purposes of SaskCentral's non-consolidated regulatory capital, the goodwill resulting from the acquisition of control is not included. Tier 2 regulatory capital consists of subordinated debentures, less any amortization on the subordinated debentures as required by CUDGC. Total regulatory capital is defined as the sum of Tier 1 and Tier 2 regulatory capital, less substantial investments and assets of little or no realizable value.

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

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

	2020 **$**	**2019** **$**
Capital		
Tier 1 and Tier 2 regulatory capital	**583,609**	574,878
Less deductions:		
Substantial investments	**401,420**	392,173
Assets of little value	**9,060**	7,504
Total borrowing multiple capital	**173,129**	175,201
Borrowing multiple	**14.9:1**	13.4:1

Concentra Bank

Concentra Bank manages and monitors capital from several perspectives, including regulatory and ICAAP capital. Under the Basel III framework, regulatory capital is allocated to three tiers: Common Equity Tier 1 (CET 1), Tier 1 and Tier 2. CET 1 regulatory capital comprises the more permanent components of capital and consists of common share capital, retained earnings, and AOCI. In addition, goodwill and other items as prescribed by OSFI are deducted from CET 1 regulatory capital. Tier 1 regulatory capital comprises of CET 1 and additional Tier 1 items which include preferred shares. Tier 2 regulatory capital consists of general allowances (eligible stage 1 and stage 2 allowances) less deductions as prescribed by OSFI. Total regulatory capital is defined as the sum of Tier 1 and Tier 2 regulatory capital.

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6. CAPITAL MANAGEMENT (continued)

Regulatory ratios are calculated by dividing CET 1 regulatory capital, Tier 1 regulatory capital and total regulatory capital by risk-weighted assets (RWA). The calculation of RWA is determined from OSFI prescribed rules relating to on-balance sheet and off-balance sheet exposures and includes an amount for operational risk. Concentra Bank is not required to compute market risk since Concentra Bank is not an internationally active financial institution. In addition, OSFI formally establishes risk-based capital limits for deposit-taking institutions. Currently OSFI limits are a minimum CET 1 regulatory capital to RWA ratio of 7%, a minimum Tier 1 regulatory capital to RWA ratio of 8.5% and a minimum total regulatory capital to RWA ratio of 10.5%. In addition, Canadian financial institutions are required to maintain a material operating buffer above the OSFI prescribed minimum leverage ratio of 3%. The regulatory requirements are determined on a Basel III "all in" basis as per OSFI guidelines.

Throughout 2020 and 2019, Concentra Bank has been in compliance with OSFI prescribed capital adequacy requirements.

	2020 **$**	**2019** **$**
Capital		
Common Equity Tier 1 regulatory capital	**393,415**	366,513
Tier 1 regulatory capital	**504,402**	477,500
Total regulatory capital	**523,214**	494,006
Risk-weighted assets		
Credit risk	**2,848,400**	2,555,408
Operational risk	**218,868**	208,452
Total risk-weighted assets	**3,067,268**	2,763,860
Capital ratios		
Common Equity Tier 1 regulatory capital to risk-weighted assets	**12.8%**	13.33%
Tier 1 regulatory capital to risk-weighted assets	**16.4%**	17.3%
Total regulatory capital to risk-weighted assets	**17.1%**	17.9%
Leverage ratio	**4.4%**	5.2%

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6. CAPITAL MANAGEMENT (continued)

Concentra Bank (continued)

Concentra Bank's subsidiary, Concentra Trust, is also required to meet these regulatory capital requirements. Throughout 2020 and 2019, Concentra Trust has been in compliance with OSFI's prescribed capital adequacy requirements.

	2020 $	2019 $
Capital		
Common Equity Tier 1 regulatory capital	**16,269**	15,481
Tier 1 regulatory capital	**16,269**	15,481
Total regulatory capital	**16,284**	15,494
Risk-weighted assets		
Credit risk	**4,612**	4,715
Operational risk	**18,786**	17,582
Total risk-weighted assets	**23,398**	22,297
Capital ratios		
Common Equity Tier 1 regulatory capital to risk-weighted assets	**69.5%**	69.4%
Tier 1 regulatory capital to risk-weighted assets	**69.5%**	69.4%
Total regulatory capital to risk-weighted assets	**69.6%**	69.5%
Leverage ratio	**89.9%**	82.6%

7. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash and balances with Central 1	**137,023**	2,847
Cash and balances with banks	**753,213**	392,474
Cash equivalents	**141,858**	194,081
	1,032,094	589,402

8. SECURITIES

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 77% (2019 – 80%) of the portfolio bears interest at fixed rates and pays interest semi-annually and/or upon maturity. The remainder of the portfolio earns interest at variable rates and pays interest monthly or quarterly, provides a return of dividends over varying periods of time or provides an index-linked return.

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8. SECURITIES (continued)

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

		2020 $					
		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	**1.01%**	**15,209**	**129,552**	**437,631**	**-**	**-**	**582,392**
Amortized cost		**15,199**	**128,564**	**432,834**	**-**	**-**	**576,597**
Government – securitized							
Fair value	**1.14%**	**124,992**	**103,040**	**65,159**	**-**	**-**	**293,191**
Amortized cost		**124,397**	**101,943**	**64,461**	**-**	**-**	**290,801**
Corporate debt [2]							
Fair value	**1.71%**	**30,352**	**29,636**	**88,751**	**11,338**	**-**	**160,077**
Amortized cost		**30,316**	**29,533**	**86,083**	**11,170**	**-**	**157,102**
Chartered banks							
Fair value	**1.64%**	**51,255**	**58,821**	**98,278**	**-**	**-**	**208,354**
Amortized cost		**51,156**	**58,564**	**94,811**	**-**	**-**	**204,531**
Co-operatives [3]							
Fair value	**2.14%**	**-**	**-**	**5,918**	**-**	**4,924**	**10,842**
Amortized cost		**-**	**-**	**5,500**	**-**	**1,427**	**6,927**
Total FVTOCI fair value		**221,808**	**321,049**	**695,737**	**11,338**	**4,924**	**1,254,856**
Total FVTOCI amortized cost		**221,068**	**318,604**	**683,689**	**11,170**	**1,427**	**1,235,958**
Designated FVTPL							
Government							
Fair value	**0.87%**	**187,224**	**355,509**	**770,210**	**73,849**	**-**	**1,386,792**
Amortized cost		**187,203**	**354,335**	**757,345**	**73,383**	**-**	**1,372,266**
Corporate debt [2]							
Fair value	**1.64%**	**64,904**	**153,421**	**545,611**	**14,069**	**-**	**778,005**
Amortized cost		**64,751**	**152,628**	**533,065**	**13,918**	**-**	**764,362**
Chartered banks							
Fair value	**1.81%**	**17,888**	**74,411**	**88,403**	**-**	**-**	**180,702**
Amortized cost		**17,863**	**73,557**	**86,830**	**-**	**-**	**178,250**
Total designated FVTPL fair value		**270,016**	**583,341**	**1,404,224**	**87,918**	**-**	**2,345,499**
Total designated FVTPL amortized cost		**269,817**	**580,520**	**1,377,240**	**87,301**	**-**	**2,314,878**

[1] represents weighted average effective interest rates based on year-end carrying values
[2] corporate debt includes commercial paper and medium-term notes
[3] SaskCentral has chosen to elect certain equity securities at FVTOCI under IFRS 9

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8. SECURITIES (continued)

	2020 (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							
Corporate debt [(2)]							
Fair value	**0.87%**	**-**	**-**	**4,450**	**-**	**31,359**	**35,809**
Amortized cost		**-**	**-**	**5,000**	**-**	**31,454**	**36,454**
Chartered banks							
Fair value	**4.73%**	**-**	**-**	**-**	**5,384**	**29,984**	**35,368**
Amortized cost		**-**	**-**	**-**	**4,984**	**29,427**	**34,411**
Co-operatives							
Fair value	**-**	**-**	**-**	**-**	**-**	**25,942**	**25,942**
Amortized cost		**-**	**-**	**-**	**-**	**25,942**	**25,942**
Exchange Traded Funds							
Fair Value	**24.5%**	**-**	**-**	**-**	**-**	**7,776**	**7,776**
Amortized Cost		**-**	**-**	**-**	**-**	**7,635**	**7,635**
MAV							
Fair value		**-**	**-**	**-**	**10**	**-**	**10**
Total FVPTL fair value		**-**	**-**	**4,450**	**5,394**	**95,061**	**104,905**
Total FVTPL amortized cost		**-**	**-**	**5,000**	**4,984**	**94,458**	**104,442**
Amortized cost							
Central 1 subordinated debentures							
Amortized cost	**0.56%**	**-**	**-**	**-**	**7,000**	**-**	**7,000**
Total carrying value of securities							**3,712,260**
Accrued interest							**12,344**
Allowance for credit losses [note 11]							**(7)**
							3,724,597

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

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8. SECURITIES (continued)

		2019 $					
		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	1.71%	20,341	34,139	316,210	-	-	370,690
Amortized cost		20,334	34,127	317,459	-	-	371,920
Government – securitized							
Fair value	1.86%	112,955	91,543	157,869	-	-	362,367
Amortized cost		112,951	91,417	157,184	-	-	361,552
Corporate debt [2]							
Fair value	2.45%	14,989	22,147	17,544	-	-	54,680
Amortized cost		14,987	22,113	17,350	-	-	54,450
Chartered banks							
Fair value	2.35%	33,449	5,004	76,100	-	-	114,553
Amortized cost		33,454	4,990	75,388	-	-	113,832
Asset-Backed							
Fair value	2.01%	7,402	-	-	-	-	7,402
Amortized cost		7,403	-	-	-	-	7,403
Co-operatives [3]							
Fair value	2.13%	-	-	-	5,671	4,425	10,096
Amortized cost		-	-	-	5,500	944	6,444
Total FVTOCI fair value		189,136	152,833	567,723	5,671	4,425	919,788
Total FVTOCI amortized cost		189,129	152,647	567,381	5,500	944	915,601
Designated FVTPL							
Government							
Fair value	1.94%	300,095	275,252	722,422	34,688	-	1,332,457
Amortized cost		300,187	275,292	718,696	33,920	-	1,328,095
Corporate debt [2]							
Fair value	2.38%	43,913	184,711	316,700	-	-	545,324
Amortized cost		43,915	184,469	314,484	-	-	542,868
Chartered banks							
Fair value	1.93%	15,457	111,275	132,380	-	-	259,112
Amortized cost		15,462	111,324	132,355	-	-	259,141
Total designated FVTPL fair value		359,465	571,238	1,171,502	34,688	-	2,136,893
Total designated FVTPL amortized cost		359,564	571,085	1,165,535	33,920	-	2,130,104

[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*

Continued on the following page

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8. SECURITIES (continued)

	2019 (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							
Corporate debt [(2)]							
Fair value		-	-	5,000	6,820	-	11,820
Amortized cost		-	-	5,000	6,699	-	11,699
Chartered banks							
Fair value	3.81%	-	-	-	1,613	14,511	16,124
Amortized cost		-	-	-	1,582	14,408	15,990
Co-operatives							
Fair value		-	-	-	-	26,147	26,147
Amortized cost		-	-	-	-	26,147	26,147
MAV							
Fair value		-	-	-	179	-	179
Total FVPTL fair value		-	-	5,000	8,612	40,658	54,270
Total FVTPL amortized cost		-	-	5,000	8,281	40,555	53,836
Amortized cost							
Central 1 subordinated debentures							
Amortized cost	2.18%	-	-	-	7,000	-	7,000
Total carrying value of securities							3,117,951
Accrued interest							10,492
Allowance for credit losses [note 11]							(7)
							3,128,436

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

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8. SECURITIES (continued)

Unrealized gains and losses on securities

2020 $	Amortized cost	Unrealized gains	Unrealized losses	Fair value
FVTOCI securities				
Government	**576,597**	**5,904**	**(109)**	**582,392**
Corporate and chartered banks	**368,560**	**10,739**	**(26)**	**379,273**
Securitized portfolio	**290,801**	**2,390**	**-**	**293,191**
	1,235,958	**19,033**	**(135)**	**1,254,856**
Designated FVTPL securities				
Government	**1,372,266**	**14,859**	**(333)**	**1,386,792**
Corporate and chartered banks	**942,612**	**16,105**	**(10)**	**958,707**
	2,314,878	**30,964**	**(343)**	**2,345,499**
FVTPL securities				
Corporate and chartered banks	**104,442**	**1,112**	**(649)**	**104,905**
	104,442	**1,112**	**(649)**	**104,905**
	3,655,278	**51,109**	**(1,127)**	**3,705,260**

2019 $	Amortized cost	Unrealized gains	Unrealized losses	Fair value
FVTOCI securities				
Government	371,920	216	(1,446)	370,690
Corporate and chartered banks	174,726	4,610	(7)	179,329
Asset-backed	7,403	-	(1)	7,402
Securitized portfolio	361,552	815	-	362,367
	915,601	5,641	(1,454)	919,788
Designated FVTPL securities				
Government	1,328,095	4,979	(617)	1,332,457
Corporate and chartered banks	802,009	3,062	(635)	804,436
	2,130,104	8,041	(1,252)	2,136,893
FVTPL securities				
Corporate and chartered banks	53,836	434	-	54,270
	53,836	434	-	54,270
	3,099,541	14,116	(2,706)	3,110,951

MAV, which consist of pools of assets, issued notes on January 19, 2009, to replace non-bank sponsored or third party ABCP which had experienced a liquidity event or market disruption in 2007. During the year SaskCentral received $77 (2019 - $111) of principal and interest payments on the MAV notes held.

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9. DERIVATIVE ASSETS AND LIABILITIES

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity instrument or index. Derivative contracts are expressed in notional amounts. The notional amounts, which are off-balance sheet, do not represent amounts exchanged and, thus, are not a measure of SaskCentral's exposure through the use of derivatives. The notional amount is the reference amount used to determine the payment required by contract and is a common measure of business volume.

Swaps are contractual agreements to exchange a series of cash flows based on agreed upon rates to a notional amount. Interest rate swaps are used to manage exposure to interest rate risk by modifying the repricing or interest rate characteristics of assets and liabilities. Exposure is managed through the exchange of fixed and floating interest rate payments based on notional amounts.

Forward rate contracts are used to determine the rate of interest to be paid or received beginning at a future date. A forward rate agreement manages the risk of fluctuating market interest rates by locking in a current interest rate for a transaction that will take place in the future. Payment based on a notional amount is paid or received once at maturity.

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

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

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

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

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

	2020 $						
	Notional amount by term to maturity					Fair value	
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total	Asset	Liability
Asset / liability management							
Interest rate swaps	15,000	15,000	36,597	-	66,597	73	2,564
	15,000	15,000	36,597	-	66,597	73	2,564
Designated in fair value hedges							
Interest rate swaps	-	-	10,000	-	10,000	401	15
	-	-	10,000	-	10,000	401	15
Designated in cash flow hedges							
Forward rate contracts	104,600	60,600	-	-	165,200	-	395
	104,600	60,600	-	-	165,200	-	395
As intermediary							
Interest rate swaps	71,757	314,389	427,514	96,032	909,692	13,471	13,262
Forward rate contracts	-	-	11,078	10,590	21,668	788	780
Foreign exchange contracts	19,847	20,713	-	-	40,560	1,144	1,134
Index-linked term deposits	9,159	9,767	39,589	-	58,515	6,855	6,855
	100,763	344,869	478,181	106,622	1,030,435	22,258	22,031
	220,363	420,469	524,778	106,622	1,272,232	22,732	25,005

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

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

	2019 $						
	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	-	384,913	63,162	-	448,075	2,297	3,954
	-	384,913	63,162	-	448,075	2,297	3,954
Designated in fair value hedges							
Interest rate swaps	-	-	10,000	5,500	15,500	43	185
	-	-	10,000	5,500	15,500	43	185
Designated in cash flow hedges							
Forward rate contracts	71,933	-	-	-	71,933	1,160	-
	71,933	-	-	-	71,933	1,160	-
As intermediary							
Interest rate swaps	180,000	292,236	776,064	62,725	1,311,025	7,702	7,373
Forward rate contracts	10,000	-	11,078	10,590	31,668	485	456
Foreign exchange contracts	11,427	23,522	-	-	34,949	335	331
Index-linked term deposits	10,977	17,037	51,416	-	79,430	8,556	8,556
	212,404	332,795	838,558	73,315	1,457,072	17,078	16,716
	284,337	717,708	911,720	78,815	1,992,580	20,578	20,855

Amounts expected to be recovered or settled

	2020 $		2019 $	
	Asset	Liability	Asset	Liability
Within 12 months	**10,510**	**11,949**	11,746	11,631
After 12 months	**12,222**	**13,056**	8,832	9,224
	22,732	**25,005**	20,578	20,855

SaskCentral is required to post collateral to derivative counterparties when the sum of the mark to market of the derivative financial instruments in favour of the counterparty exceeds the established threshold. SaskCentral has pledged securities with a fair value of $3,500 (2019 - $599) to support this obligation.

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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.

The following table provides information in relation to SaskCentral's credit risk exposure for derivative financial transactions, excluding index-linked term deposits. Positive replacement cost is derived from the fair value of derivative financial instruments. Potential credit risk exposure and risk-weighted equivalents are calculated in accordance with OSFI's guideline for *Capital Adequacy Requirements*.

	2020 $		
	Interest rate contracts	**Foreign exchange contracts**	**Total**
Notional amounts	**1,173,157**	**40,560**	**1,213,717**
Positive replacement cost	**14,732**	**1,144**	**15,876**
Potential credit risk exposure	**5,557**	**654**	**6,211**
Credit equivalent amount	**26,995**	**1,091**	**28,086**
Risk-weighted equivalent	**5,399**	**218**	**5,617**

	2019 $		
	Interest rate contracts	**Foreign exchange contracts**	**Total**
Notional amounts	1,878,201	34,949	1,913,150
Positive replacement cost	11,687	335	12,022
Potential credit risk exposure	7,842	564	8,406
Credit equivalent amount	30,194	824	31,018
Risk-weighted equivalent	6,039	165	6,204

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.

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9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Results of hedge activities (continued)

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 the consolidated statement of profit or loss.

	2020 $	2019 $
Cash flow hedges		
Effective portion – net (losses) gains recorded in OCI during the year	**(7,121)**	804
Reclassification of losses (gains) to profit or loss during the year	**391**	(779)
Fair value hedges		
Ineffective portion recorded in gain on financial instruments [note 26]	**(56)**	8
Reclassification of gains to on hedged risk components from OCI to profit or loss	**-**	144
Unrealized losses on derivatives related to hedged risk components	**(362)**	(138)

10. LOANS

	2020 $		
	Gross carrying value	**Allowance for credit losses**	**Total**
Loans at amortized cost			
Residential mortgages [(1)]	**6,646,663**	**(4,141)**	**6,642,522**
Consumer loans	**525,957**	**(8,481)**	**517,476**
Commercial mortgages and loans (includes credit union loans)	**712,885**	**(21,066)**	**691,819**
Commercial leases	**199,637**	**(1,060)**	**198,577**
Loans at FVTOCI			
Residential mortgages	**780,399**	**-**	**780,399**
	8,865,541	**(34,748)**	**8,830,793**
Accrued interest			**12,739**
			8,843,532

[(1)] *Residential mortgages include $273 of property held for resale.*

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10. LOANS (continued)

	2019 $		
	Gross carrying value	**Allowance for credit losses**	**Total**
Loans at amortized cost			
Residential mortgages [1]	5,196,728	(2,988)	5,193,740
Consumer loans	526,545	(6,272)	520,273
Commercial mortgages and loans (includes credit union loans)	945,829	(15,971)	929,858
Commercial leases	182,296	(1,520)	180,776
Loans at FVTOCI			
Residential mortgages	748,574	-	748,574
	7,599,972	(26,751)	7,573,221
Accrued interest			12,931
			7,586,152

[1] *Residential mortgages include $478 of property held for resale.*

SaskCentral's loans are principally held for the purpose of collecting the contractual cash flows with the following exceptions:

For residential mortgages, SaskCentral holds two separately identifiable sub-portfolios within which it both sells and holds a significant portion of newly originated assets. As the business model for these portfolios are managed to generate cash flows through both sales and collection of the contractual cash flows, the loans are classified as at FVTOCI.

For commercial mortgages and loans, excluding credit union loans, SaskCentral's overall business model is such that it issues loan commitments with the intent of selling down a pre-determined amount prior to funding in order to meet the established credit risk policy limits. As a result, SaskCentral's credit risk policy creates a clear line of demarcation for each originated commercial asset resulting in the recognition of two distinct sub-portfolios:

- a sub-portfolio which contains the portion of loans SaskCentral intends to sell which are measured at FVTPL. As these sales occur prior to funding, SaskCentral does not recognize loans at FVTPL in its consolidated balance sheet. Instead, the portion of commitment designated for sale is measured at FVTPL up to the date of transfer [note 28]
- a sub-portfolio which contains the portion of loans SaskCentral intends to hold on-balance sheet which are measured at amortized cost.

The following table provides information on the unrealized gains and losses for SaskCentral's loans measured at fair value:

	2020 $			
Loans at FVTOCI	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Fair value**
Residential mortgages	**772,369**	**8,484**	**(454)**	**780,399**

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10. LOANS (continued)

Loans at FVTOCI	2019 $ Amortized cost	Unrealized gains	Unrealized losses	Fair value
Residential mortgages	747,987	1,954	(1,367)	748,574

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

2020 $	Effective rate	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans at amortized cost						
Residential mortgages	**2.75%**	**370,092**	**1,608,330**	**4,664,778**	**3,463**	**6,646,663**
Consumer loans	**9.03%**	**1,772**	**27,206**	**298,336**	**198,643**	**525,957**
Commercial mortgages and loans (includes credit union loans)	**4.24%**	**79,816**	**189,234**	**430,876**	**12,959**	**712,885**
Commercial leases	**4.91%**	**1,089**	**12,811**	**159,658**	**26,079**	**199,637**
Loans at FVTOCI						
Residential mortgages	**4.67%**	**104,770**	**460,789**	**214,840**	**-**	**780,399**
		557,539	**2,298,370**	**5,768,488**	**241,144**	**8,865,541**
Accrued interest						**12,739**
Total gross carrying value						**8,878,280**

2019 $	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	3.04%	282,068	1,258,200	3,653,748	2,712	5,196,728
Consumer loans	8.03%	9,704	61,761	294,971	160,109	526,545
Commercial mortgages and loans (includes credit union loans)	4.53%	116,327	200,034	602,760	26,708	945,829
Commercial leases	4.56%	2,086	11,563	154,799	13,848	182,296
Loans at FVTOCI						
Residential mortgages	4.59%	50,004	524,229	174,341	-	748,574
		460,189	2,055,787	4,880,619	203,377	7,599,972
Accrued interest						12,931
Total gross carrying value						7,612,903

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10. LOANS (continued)

Impaired loans

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans 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:

	2020 $			
	1 - 29 days	**30 - 89 days**	**90 days and greater**	**Total**
Loans at amortized cost				
Residential mortgages	**39,478**	**14,875**	**10,865**	**65,218**
Consumer loans	**2,505**	**1,786**	**-**	**4,291**
Commercial mortgages and loans (includes credit union loans)	**193**	**6,915**	**60**	**7,168**
Commercial leases	**5,078**	**1,983**	**46**	**7,107**
Loans at FVTOCI				
Residential mortgages	**18,803**	**6,094**	**-**	**24,897**
	66,057	**31,653**	**10,971**	**108,681**

	2019 $			
	1 - 29 days	**30 - 89 days**	**90 days and greater**	**Total**
Loans at amortized cost				
Residential mortgages	33,979	12,034	8,887	54,900
Consumer loans	2,382	2,220	-	4,602
Commercial mortgages and loans (includes credit union loans)	1,233	2,066	-	3,299
Commercial leases	3,150	1,424	-	4,574
Loans at FVTOCI				
Residential mortgages	16,772	5,629	-	22,401
	57,516	23,373	8,887	89,776

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10. LOANS (continued)

Impaired loans (continued)

The following table presents the gross amount of credit impaired loans (Stage 3) and the corresponding allowance for credit losses:

		2020 $	
	Gross impaired loans	**Allowance for credit losses**	**Net carrying value**
Loans at amortized cost			
Residential mortgages	**2,276**	**(681)**	**1,595**
Consumer loans	**848**	**(736)**	**112**
Commercial mortgages and loans (includes credit union loans)	**34,195**	**(12,648)**	**21,547**
Commercial leases	**1,075**	**(333)**	**742**
Loans at FVTOCI			
Residential mortgages [1]	**2,532**	**-**	**2,532**
	40,926	**(14,398)**	**26,528**

[1] For credit impaired loans measured at 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 $372 have been reclassified from OCI to net income representing the loss allowance that would have otherwise been recognized had these instruments been measured at amortized.

		2019 $	
	Gross impaired loans	**Allowance for credit losses**	**Net carrying value**
Loans at amortized cost			
Residential mortgages	1,919	(588)	1,331
Consumer loans	227	(195)	32
Commercial mortgages and loans (includes credit union loans)	43,801	(9,358)	34,443
Commercial leases	3,100	(822)	2,278
Loans at FVTOCI			
Residential mortgages [1]	2,621	-	2,621
	51,668	(10,963)	40,705

[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 $372 have been reclassified from OCI to net income representing the loss allowance that would have otherwise been recognized had these instruments been measured at amortized.

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10. LOANS (continued)

Commercial leases

The carrying value of finance leases of certain commercial equipment where SaskCentral is the lessor includes the following:

	2020 $	2019 $
Minimum lease payments receivable:		
Not later than one year	**14,135**	13,919
Between one and five years	**174,225**	167,518
Later than five years	**30,614**	16,788
	218,974	198,225
Unearned finance income on commercial leases	**(19,337)**	(15,929)
Gross commercial leases receivable	**199,637**	182,296

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:

	2020 $	2019 $
Debt instruments at amortized cost		
Residential mortgages	**1,545**	1,473
Consumer loans	**4,212**	7,184
Commercial mortgage and loans (includes credit union loans)	**5,198**	1,917
Commercial leases	**(109)**	451
	10,846	11,025
Debt instruments at FVTOCI		
Residential mortgages	**11**	266
Securities	**279**	(70)
	290	196
Gross provision for credit losses	**11,136**	11,221
Impact of financial guarantees	**(2,234)**	(4,321)
Net provision for credit losses	**8,902**	6,900

For the purpose of impairment assessment, the securities and certain commercial loans to credit unions above are considered to have low credit risk as the counterparties to these investments have an investment grade credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to a 12-month ECL.

The credit risk on certain loans to credit unions is mitigated because of the General Security Agreement between SaskCentral and the credit unions. SaskCentral has not recognized a loss allowance for the credit union loans that are collateralized by the General Security Agreement.

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

The following tables summarize the allowance for credit losses for each of the SaskCentral's loan portfolios and the changes to the allowance for credit losses for the SaskCentral's loans and undrawn commitments on a total portfolio basis:

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages	**2,743**	**717**	**681**	**4,141**	1,798	602	588	2,988
Consumer loans	**6,312**	**1,433**	**736**	**8,481**	4,496	1,581	195	6,272
Commercial mortgages and loans	**1,136**	**7,282**	**12,648**	**21,066**	1,505	5,108	9,358	15,971
Commercial leases	**304**	**423**	**333**	**1,060**	291	407	822	1,520
	10,495	**9,855**	**14,398**	**34,748**	8,090	7,698	10,963	26,751

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

	2020 $			
	Stage 1	Stage 2	Stage 3	Total
Residential mortgages				
Balance, beginning of the year	**2,859**	**998**	**961**	**4,818**
Net provision for credit losses				
Re-measurement	**963**	**630**	**1,234**	**2,827**
Newly originated or purchased assets	**2,658**	**-**	**-**	**2,658**
Derecognized financial assets and maturities	**(1,926)**	**(817)**	**(999)**	**(3,742)**
Changes in models and methodologies	**106**	**(293)**	**-**	**(187)**
Transfer (from) to:				
Stage 1	**(888)**	**761**	**127**	**-**
Stage 2	**-**	**(91)**	**91**	**-**
Stage 3	**-**	**58**	**(58)**	**-**
Total net provision for credit losses	**913**	**248**	**395**	**1,556**
Write-offs	**-**	**-**	**(333)**	**(333)**
Recoveries	**-**	**-**	**30**	**30**
Total allowance for credit losses	**3,772**	**1,246**	**1,053**	**6,071**
Less: reserve for FVOCI mortgages	**(942)**	**(529)**	**(372)**	**(1,843)**
Less: allowance for undrawn commitments	**(87)**	**-**	**-**	**(87)**
Balance, end of year	**2,743**	**717**	**681**	**4,141**

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2020 (continued) $			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Consumer loans				
Balance, beginning of the year	**4,701**	**1,597**	**195**	**6,493**
Net provision for credit losses				
Re-measurement	**1,264**	**1,245**	**1,769**	**4,278**
Newly originated or purchased assets	**3,613**	**-**	**-**	**3,613**
Derecognized financial assets and maturities	**(1,539)**	**(1,736)**	**(644)**	**(3,919)**
Changes in models and methodologies	**156**	**84**	**-**	**240**
Transfer (from) to:				
Stage 1	**(1,715)**	**1,213**	**502**	**-**
Stage 2	**-**	**(970)**	**970**	**-**
Total net provision for credit losses (recoveries)	**1,779**	**(164)**	**2,597**	**4,212**
Write-offs	**-**	**-**	**(3,070)**	**(3,070)**
Recoveries	**-**	**-**	**1,014**	**1,014**
Total allowance for credit losses	**6,480**	**1,433**	**736**	**8,649**
Less: allowance for undrawn commitments	**(168)**	**-**	**-**	**(168)**
Balance, end of year	**6,312**	**1,433**	**736**	**8,481**
Commercial mortgages and loans (including credit union loans)				
Balance, beginning of the year	**1,999**	**5,117**	**9,358**	**16,474**
Net provision for credit losses				
Re-measurement	**1,388**	**6,589**	**1,391**	**9,368**
Newly originated or purchased assets	**1,421**	**-**	**-**	**1,421**
Derecognized financial assets and maturities	**(400)**	**(5,255)**	**-**	**(5,655)**
Changes in models and methodologies	**(182)**	**247**	**-**	**65**
Transfer (from) to:				
Stage 1	**(4,454)**	**4,454**	**-**	**-**
Stage 2	**1,881**	**(3,755)**	**1,874**	**-**
Stage 3	**-**	**(2)**	**2**	**-**
Total net provision for credit (recoveries) losses	**(346)**	**2,278**	**3,267**	**5,199**
Write-offs	**-**	**-**	**(35)**	**(35)**
Recoveries	**-**	**-**	**58**	**58**
Total allowance for credit losses	**1,653**	**7,395**	**12,648**	**21,696**
Less: allowance for undrawn commitments	**(517)**	**(113)**	**-**	**(630)**
Balance, end of year	**1,136**	**7,282**	**12,648**	**21,066**

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2020 (continued) $			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commercial leases				
Balance, beginning of the year	291	407	822	1,520
Net provision for credit losses				
Re-measurement	41	(46)	862	857
Newly originated or purchased assets	339	-	-	339
Derecognized financial assets and maturities	(81)	(142)	(1,012)	(1,235)
Changes in models and methodologies	(43)	(27)	-	(70)
Transfer (from) to:				
Stage 1	(247)	247	-	-
Stage 2	4	(16)	12	-
Total net provision for credit losses (recoveries)	13	16	(138)	(109)
Write-offs	-	-	(1,553)	(1,553)
Recoveries	-	-	1,202	1,202
Balance, end of year	304	423	333	1,060
Total loans				
Balance, beginning of the year	9,850	8,119	11,336	29,305
Net provision for credit losses				
Re-measurement	3,656	8,418	5,256	17,330
Newly originated or purchased assets	8,031	-	-	8,031
Derecognized financial assets and maturities	(3,946)	(7,950)	(2,655)	(14,551)
Changes in models and methodologies	37	11	-	48
Transfer to (from):				
Stage 1	(7,304)	6,675	629	-
Stage 2	1,885	(4,832)	2,947	-
Stage 3	-	56	(56)	-
Total net provision for credit losses (recoveries)	2,359	2,378	6,121	10,858
Write-offs	-	-	(4,991)	(4,991)
Recoveries	-	-	2,304	2,304
Total allowance for credit losses	12,209	10,497	14,770	37,476
Less: reserve for FVOCI mortgages	(942)	(529)	(372)	(1,843)
Less: allowance for undrawn commitments	(772)	(113)	-	(885)
Balance, end of year	10,495	9,855	14,398	34,748

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2019 $			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Residential mortgages				
Balance, beginning of the year	2,248	191	1,172	3,611
Net provision for credit losses				
Re-measurement	1,154	301	1,644	3,099
Newly originated or purchased assets	594	-	-	594
Derecognized financial assets and maturities	(476)	(207)	(1,522)	(2,205)
Changes in models and methodologies	105	146	-	251
Transfer to (from):				
Stage 1	(783)	703	80	-
Stage 2	17	(155)	138	-
Stage 3	-	19	(19)	-
Total net provision for credit losses (recoveries)	611	807	321	1,739
Write-offs	-	-	(630)	(630)
Recoveries	-	-	98	98
Total allowance for credit losses	2,859	998	961	4,818
Less: reserve for FVOCI mortgages	(1,061)	(396)	(373)	(1,830)
Balance, end of year	1,798	602	588	2,988
Consumer loans				
Balance, beginning of the year	3,655	839	276	4,770
Net provision for credit losses				
Re-measurement	2,883	4,248	(957)	6,174
Newly originated or purchased assets	2,228	-	-	2,228
Derecognized financial assets and maturities	(611)	(692)	(289)	(1,592)
Changes in models and methodologies	839	(465)	-	374
Transfer to (from):				
Stage 1	(4,307)	1,022	3,285	-
Stage 2	14	(3,364)	3,350	-
Stage 3	-	9	(9)	-
Total net provision for credit losses (recoveries)	1,046	758	5,380	7,184
Write-offs	-	-	(7,689)	(7,689)
Recoveries	-	-	2,228	2,228
Total allowance for credit losses	4,701	1,597	195	6,493
Less: allowance for undrawn commitments	(205)	(16)	-	(221)
Balance, end of year	4,496	1,581	195	6,272

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2019 (continued) $			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commercial mortgages and loans (including credit union loans)				
Balance, beginning of the year	2,475	5,470	6,559	14,504
Net provision for credit losses				
Re-measurement	1,111	111	1,983	3,205
Newly originated or purchased assets	604	-	-	604
Derecognized financial assets and maturities	(637)	(834)	-	(1,471)
Changes in models and methodologies	(55)	(366)	-	(421)
Transfer to (from):				
Stage 1	(1,829)	1,829	-	-
Stage 2	272	(366)	94	-
Stage 3	58	(727)	669	-
Total net provision for credit losses (recoveries)	(476)	(353)	2,746	1,917
Write-offs	-	-	(21)	(21)
Recoveries	-	-	74	74
Total allowance for credit losses	1,999	5,117	9,358	16,474
Less: allowance for undrawn commitments	(494)	(9)	-	(503)
Balance, end of year	1,505	5,108	9,358	15,971
Commercial leases				
Balance, beginning of the year	473	393	263	1,129
Net provision for credit losses				
Re-measurement	(40)	93	689	742
Newly originated or purchased assets	121	-	-	121
Derecognized financial assets and maturities	(45)	(116)	(89)	(250)
Changes in models and methodologies	(66)	(96)	-	(162)
Transfer to (from):				
Stage 1	(156)	154	2	-
Stage 2	4	(23)	19	-
Stage 3	-	2	(2)	-
Total net provision for credit losses (recoveries)	(182)	14	619	451
Write-offs	-	-	(314)	(314)
Recoveries	-	-	254	254
Balance, end of year	291	407	822	1,520

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11. ALLOWANCE AND PROVISION FOR CREDIT LOSSES (continued)

	2019 (continued) $			
	Stage 1	Stage 2	Stage 3	Total
Total Loans				
Balance, beginning of the year	8,851	6,893	8,270	24,014
Net provision for credit losses				
Re-measurement	5,108	4,753	3,359	13,220
Newly originated or purchased assets	3,547	-	-	3,547
Derecognized financial assets and maturities	(1,769)	(1,849)	(1,900)	(5,518)
Changes in models and methodologies	823	(781)	-	42
Transfer to (from):				
Stage 1	(7,075)	3,708	3,367	-
Stage 2	307	(3,908)	3,601	-
Stage 3	58	(697)	639	-
Total net provision for credit losses (recoveries)	999	1,226	9,066	11,291
Write-offs	-	-	(8,654)	(8,654)
Recoveries	-	-	2,654	2,654
Total allowance for credit losses	9,850	8,119	11,336	29,305
Less: reserve for FVOCI mortgages	(1,061)	(396)	(373)	(1,830)
Less: allowance for undrawn commitments	(699)	(25)	-	(724)
Total allowance for credit losses on loans	8,090	7,698	10,963	26,751

There were no credit impaired (Stage 3) securities in either 2020 or 2019.

12. TRANSFER OF FINANCIAL ASSETS

Financial asset transfers not qualifying for derecognition

(a) Securities sale and repurchase agreements

SaskCentral enters into transactions where it sells a security and simultaneously enters into an agreement to repurchase the security at the original sales price plus a small lending premium. The repurchase agreement results in SaskCentral continuing to be exposed to the risks and rewards of the asset post-transfer and therefore it continues to be recognized within securities on the consolidated balance sheet (see note 8). A corresponding liability equal to the sales proceeds received is then recognized within loans and notes payable (see note 19).

(b) Asset securitizations

SaskCentral periodically securitizes groups of assets by selling them to independent structured entities. As part of these transactions, SaskCentral generally retains an interest in the securitized assets, such as servicing rights and various forms of recourse including rights to excess spreads and cash reserves. When substantially all of 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.

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12. TRANSFER OF FINANCIAL ASSETS (continued)

Financial asset transfers not qualifying for derecognition (continued)

(b) Asset securitizations (continued)

National Housing Act Mortgage-Backed Securities and Canada Mortgage Bond Programs

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.

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.

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12. TRANSFER OF FINANCIAL ASSETS (continued)

Financial asset transfers not qualifying for derecognition (continued)

(b) 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 sheet.

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:

	2020 $		2019 $	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Securitized assets				
Cash reserve related to Multi-Seller Conduit	**3,491**	**3,491**	4,255	4,255
Securities – securitized portfolio [note 8]	**293,497**	**293,497**	362,870	362,870
Residential mortgages – securitized [note 10]	**4,409,288**	**4,494,674**	3,500,254	3,477,063
	4,706,276	**4,791,662**	3,867,379	3,844,188
Securitization liabilities				
Securitization obligations under the CMB program (1)	**997,509**	**1,009,317**	1,526,705	1,513,666
Securitization obligations under the NHA MBS program (2)	**2,856,661**	**2,896,723**	1,932,773	1,931,191
Securitization obligations to multi-seller conduit (3)	**63,409**	**64,177**	84,817	84,469
	3,917,579	**3,970,217**	3,544,295	3,529,326
Net position	**788,697**	**821,445**	323,084	314,862

(1) *Securitization obligations under the CMB program have a weighted average interest rate of 1.45% (2019 - 1.40%) 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 1.33% (2019 - 1.79%) and include CMB securitizations which are not subject to a total return swap.*
(3) *The interest rate related to the securitization obligations to multi-seller conduits corresponds to the rate of the asset-backed commercial paper issued by the conduit, plus related program fees.*

SaskCentral also retains certain amounts of its issued NHA MBS certificates as part of its liquidity management strategy. As at December 31, 2020, residential mortgages of $813,439 (2019 - $331,701) with a fair value of $819,222 (2019 - $332,703) were assigned to NHA MBS certificates and retained by SaskCentral. These unsold NHA MBS certificates are included in loans on the consolidated balance sheet.

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12. TRANSFER OF FINANCIAL ASSETS (continued)

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 and are included within fee for service on the consolidated statement of profit or loss net of direct servicing costs incurred.

The following tables provide quantitative information about these derecognized loan sales/syndications and SaskCentral's continuing involvement during the year:

	2020 $		
	Consumer loans and residential mortgages	**Commercial mortgages and loans**	**Total mortgages and loans**
Sales/syndication activity			
Notional amount of undrawn commitments syndicated during the year	**-**	**211,375**	**211,375**
Carrying value of loans sold and derecognized during the year	**124,634**	**61,992**	**186,626**
Gain on loans sold and derecognized during the year	**1,479**	**1,471**	**2,950**
Continuing involvement			
Outstanding principal balance of derecognized loans subject to servicing arrangements at year end	**18,023**	**812,987**	**831,010**
Cumulative income earned on derecognized loans during the year [1]	**374**	**1,186**	**1,560**

[1] *Consists of net servicing fees included in fee for service on the consolidated statement of profit or loss.*

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12. TRANSFER OF FINANCIAL ASSETS (continued)

Derecognized financial asset transfers (continued)

(a) Loan sales and syndications (continued)

		2019 $	
	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	-	112,945	112,945
Carrying value of loans sold and derecognized during the year	335,297	-	335,297
Gain on loans sold and derecognized during the year	1,665	-	1,665
Continuing involvement			
Outstanding principal balance of derecognized loans subject to servicing arrangements at year end	208,094	844,495	1,052,589
Cumulative income earned on derecognized loans during the year (2)	1,023	943	1,966

(2) *Consists of net servicing fees included in fee for service on the consolidated statement of profit or loss.*

(b) Asset securitizations

Certain NHA MBS/CMB securitization transactions undertaken by SaskCentral qualify for derecognition when one of the following conditions are met:

- SaskCentral subsequently enters into an agreement to transfer its right to the excess spread to a third party;
- SaskCentral simultaneously enters into a derivative contract which transfers the residual prepayment risk of the mortgages to a third party; or
- The terms and conditions of the transferred assets are such that they are substantively risk free and SaskCentral has transferred control of these assets.

When SaskCentral has transferred its right to the excess spread, its continuing involvement is limited to servicing the transferred mortgages for which it receives a fixed monthly fee. The fixed fee provides adequate compensation for the cost of servicing and as such, no servicing asset or liability is recognized. When a portion of the transfer price is payable in installments, a long-term interest bearing receivable is recognized in other securitization assets in the consolidated balance sheet.

For all other derecognized securitizations, SaskCentral's continuing involvement consists of a retained interest asset representing its right to the excess spread and a servicing liability for the future cost of servicing the transferred assets.

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12. TRANSFER OF FINANCIAL ASSETS (continued)

Derecognized financial asset transfers (continued)

(b) Asset securitizations (continued)

The following tables provide quantitative information about these derecognized securitization activities and SaskCentral's continuing involvement during the year:

	2020 $	2019 $
Securitization activity		
Carrying value of underlying mortgages derecognized in year	**647,990**	620,660
Gain on sale of mortgages during the year	**5,838**	3,945
Continuing involvement		
Carrying value of deferred installments receivable [1]	-	160
Carrying value of retained interests	**93,162**	76,126
Total other securitization assets	**93,162**	76,286
Carrying value of servicing liabilities [note 20]	**15,864**	12,360
Outstanding principal balance of derecognized mortgages at year end	**2,806,983**	2,259,239
Cumulative income earned on derecognized mortgages during the year	**1,264**	1,243

[1] *The effective rate of outstanding deferred installments is nil (2019 - 1.25%).*

The following table provides the expected undiscounted cash flows payable to the MBS holders on SaskCentral's securitization activities and transfers that are derecognized in their entirety:

	$
2021	**73,457**
2022	**75,869**
2023	**112,004**
2024	**270,557**
2025	**388,311**
Thereafter	**1,886,785**
	2,806,983

13. INVESTMENTS IN ASSOCIATES

Celero Solutions

At December 31, 2020, SaskCentral has a 33.33% (2019 – 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.

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13. INVESTMENTS IN ASSOCIATES (continued)

CUC Wealth

At December 31, 2020 SaskCentral has a 10.92% (2019 – 10.92%) interest in CUC Wealth, which was created to hold SaskCentral, Atlantic Central, Central 1, Credit Union Central of Manitoba, Alberta Central and the Co-operators investment share in Aviso. CUC Wealth's principal place of business is Winnipeg, Manitoba.

SEF JV

At December 31, 2020, SaskCentral has a nil (2019 – 45.45%) interest in SEF JV, which was created to undertake and carry out the investment and deployment of capital to small and mid-sized businesses in Saskatchewan requiring less than $1 million in capital. On June 30, 2020, SEF JV was dissolved. As part of the dissolution, a final payment of $170 was issued to SaskCentral, which resulted in $nil gain or loss. SEF JV's principal place of business is Regina, Saskatchewan.

Effective December 15, 2020, CUVentures LP and CUVentures Inc. have been dissolved. Prior to dissolution of CUVentures LP and CUVentures Inc., SaskCentral owned SEF JV through its 100% (2019– 100%) ownership of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral had control over CUVentures LP. CUVentures LP's principal place of business was Regina, Saskatchewan

PPJV

As described in notes 2 and 3, on January 1, 2020, SaskCentral formally entered into the joint venture agreement with Alberta Central and Manitoba Central to administer the outsourcing of payment processing capabilities, with IBM Canada Ltd., previously performed by CUPS. SaskCentral has 33.33% interest in PPJV. PPJV's principal place of business is Calgary, Alberta.

For the purposes of these consolidated financial statements, SaskCentral accounts for the above as investments using the equity method. Related party transactions for these investees, if any, are disclosed in note 27.

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

	2020 $					
	Assets	**Liabilities**	**Revenue**	**Profit (loss)**	**Other comprehensive income**	**Total comprehensive income (loss)**
Celero Solutions	**56,785**	**38,980**	**59,929**	**1,214**	**-**	**1,214**
CUC Wealth	**135,385**	**11,795**	**22,106**	**20,870**	**954**	**21,824**
PP JV	**56,928**	**67,434**	**30,420**	**(10,506)**	**-**	**(10,506)**
SEF JV	**435**	**61**	**2**	**(15)**	**-**	**(15)**
	249,533	**118,270**	**112,457**	**11,563**	**954**	**12,517**

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13. INVESTMENTS IN ASSOCIATES (continued)

	2019 $					
	Assets	**Liabilities**	**Revenue**	**Profit (loss)**	**Other comprehensive income**	**Total comprehensive income (loss)**
Celero Solutions	58,793	38,390	65,727	8,019	-	8,019
CUC Wealth	122,804	8,245	18,208	16,287	412	16,699
SEF JV	625	95	4	(4)	-	(4)
	182,222	46,730	83,939	24,302	412	24,714

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

	2020 $			
	Celero Solutions	**CUC Wealth**	**PPJV**	**SEF JV**
Net assets (liabilities) of the associate	**17,805**	**123,590**	**(10,506)**	**374**
Proportion of SaskCentral's ownership interest	**33.3%**	**10.92%**	**33.33%**	**45.45%**
	5,935	**13,496**	**(3,502)**	**170**
Fair value differential upon acquisition	**-**	**19,386**	**-**	**-**
Amortization of fair value differential	**-**	**(1,453)**	**-**	**-**
Other adjustments	**(49)**	**-**	**213**	**(170)**
Carrying amount of SaskCentral's interest in associates	**5,885**	**31,429**	**(3,289)**	**-**

	2019 $		
	Celero Solutions	**CUC Wealth**	**SEF JV**
Net assets of the associate	20,403	114,559	530
Proportion of SaskCentral's ownership interest	33.33%	10.92%	45.45%
	6,801	12,510	241
Fair value differential upon acquisition	-	19,386	-
Amortization of fair value differential	-	(924)	
Other adjustments	20	-	-
Carrying amount of SaskCentral's interest in associates	6,821	30,972	241

SaskCentral received the following distributions from its investments in associates:

	2020 $	**2019 $**
Celero Solutions	**1,307**	1,317
CUC Wealth	**83**	26
SEF JV	**170**	-
	1,560	1,343

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14. PROPERTY, PLANT AND EQUIPMENT

2020
$

	Land	Building	Furniture and equipment	Right of use asset	Total
Cost					
Balance as at January 1	**1,376**	**34,538**	**4,757**	**655**	**41,326**
Additions	**-**	**236**	**124**	**4,510**	**4,870**
Disposals	**-**	**(427)**	**(1,742)**	**-**	**(2,169)**
Ending balance as at December 31	**1,376**	**34,347**	**3,139**	**5,165**	**44,027**
Accumulated depreciation					
Balance as at January 1	**-**	**11,562**	**3,924**	**201**	**15,687**
Depreciation charges	**-**	**1,134**	**294**	**983**	**2,411**
Disposals	**-**	**(427)**	**(1,662)**	**-**	**(2,089)**
Ending balance as at December 31	**-**	**12,269**	**2,556**	**1,184**	**16,009**
Carrying value as at December 31	**1,376**	**22,078**	**583**	**3,981**	**28,018**

2019
$

	Land	Building	Furniture and equipment	Right of use asset	Total
Cost					
Balance as at January 1	1,376	34,343	4,844	-	40,563
Impact of adopting IFRS 16	-	-	-	655	655
Additions	-	200	188	-	388
Disposals	-	(5)	(275)	-	(280)
Ending balance as at December 31	1,376	34,538	4,757	655	41,326
Accumulated depreciation					
Balance as at January 1	-	10,379	3,748	-	14,127
Depreciation charges	-	1,188	424	201	1,813
Disposals	-	(5)	(248)	-	(253)
Ending balance as at December 31	-	11,562	3,924	201	15,687
Carrying value as at December 31	1,376	22,976	833	454	25,639

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15. INVESTMENT PROPERTY

Investment property consists of the portion of the office building not occupied by SaskCentral. SaskCentral uses the cost model to account for its investment properties.

Details of SaskCentral's investment property are as follows:

	2020 $	2019 $
Cost		
Balance as at January 1	**8,370**	8,370
Additions	**-**	-
Disposals	**(146)**	-
Ending balance as at December 31	**8,224**	8,370
Accumulated depreciation		
Balance as at January 1	**2,080**	1,943
Depreciation charges	**135**	137
Ending balance as at December 31	**2,215**	2,080
Carrying value as at December 31	**6,009**	6,290

Regina commercial office building

The fair value of SaskCentral's Regina investment property at December 31, 2020 is $15,375 (2019 - $18,881). The fair value of the Regina investment property has been arrived at on the basis of a valuation completed by management.

The fair value was determined using an income approach. The estimate of fair value by management was developed based on current and future income that could be generated by the investment property through rents based on estimated market rates. In estimating the fair value of the investment property, the highest and best use of the investment property is the current use.

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

Income approach	**2020**	**2019**
Rent per square foot (in actual Canadian dollars)	**$10 - 16**	$11 - $17
Parking rate per month (in actual Canadian dollars)	**$208.00**	$195.94
Vacancy rate	**15.37%**	8.44%
Capitalization rate	**7.5%**	7.5%

In 2020, the investment property generated rental income of $1,392 (2019 - $2,429). Direct operating expenses recognized in the consolidated statement of profit or loss were $1,093 (2019 - $1,232).

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16. INTANGIBLE ASSETS

	2020 $		
	Computer software	**Intangible assets under development**	**Total**
Cost			
Balance as at January 1	**7,891**	**2,558**	**10,449**
Additions	**2,054**	**4,553**	**6,607**
Disposals	**(1,259)**	**(4,343)**	**(5,602)**
Ending balance as at December 31	**8,686**	**2,768**	**11,454**
Accumulated amortization			
Balance as at January 1	**5,227**	**-**	**5,227**
Amortization charges	**968**	**64**	**1,032**
Disposals	**(1,236)**	**-**	**(1,236)**
Ending balance as at December 31	**4,959**	**64**	**5,023**
Carrying value as at December 31	**3,727**	**2,704**	**6,431**

	2019 $		
	Computer software	**Intangible assets under development**	**Total**
Cost			
Balance as at January 1	6,300	1,218	7,518
Additions	1,702	3,174	4,876
Disposals	(111)	(1,834)	(1,945)
Ending balance as at December 31	7,891	2,558	10,449
Accumulated amortization			
Balance as at January 1	4,646	-	4,646
Amortization charges	692	-	692
Disposals	(111)	-	(111)
Ending balance as at December 31	5,227	-	5,227
Carrying value as at December 31	2,664	2,558	5,222

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17. INCOME TAXES

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

	2020 $	2019 $
Current income tax expense		
Current tax on income for current year	**5,389**	14,333
Current tax from adjustments for prior years	**(66)**	230
	5,323	14,563
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**1,741**	(3,221)
Deferred tax from adjustments for prior years	**(14)**	560
Impact of tax rate changes	**5**	8
	1,732	(2,653)
	7,055	11,910

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

	2020 $	2019 $
Current income tax expense (recovery)		
Net unrealized gains on FVTOCI securities	**3,155**	1,270
Reclassification of gains on FVTOCI securities to profit or loss	**(9)**	(112)
Reclassification of impairment losses (recoveries) on FVTOCI securities to profit or loss	**76**	(23)
Net unrealized gains on FVTOCI loans	**2,495**	370
Reclassification of gains on FVTOCI loans to profit or loss	**(104)**	(449)
Reclassification of impairment losses on FVTOCI loans to profit or loss	**3**	71
Net (losses) gains on derivatives designated as cash flow hedges	**(1,918)**	216
Reclassification of gains on derivatives designated as cash flow hedges to profit or loss	**105**	(210)
	3,803	1,133
Deferred income tax (recovery) expense		
Net unrealized gains on FVTOCI securities	**796**	274
Reclassification of gains on FVTOCI securities to profit or loss	**(4)**	(6)
Own credit risk reserve	**(862)**	477
	(70)	745
	3,733	1,878

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17. INCOME TAXES (continued)

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:

	2020 $	2019 $
Income tax expense	**10,788**	13,788

Reconciliation of income tax expense from continuing operations:

	2020 $	2019 $
Combined federal and provincial income tax rate applied to income from operations (2020 – 27%; 2019 – 27%)	**10,069**	15,476
Income tax expense adjusted for the effect of:		
Impact of change in tax rates	**5**	8
Non-taxable dividend income	**(89)**	(136)
Expenses not deductible for tax purposes	**38**	147
Adjustments related to prior periods	**(1,101)**	294
Reduction in income tax due to payment of dividends	**(2,708)**	(2,902)
Amounts taxed at other than general income tax rate	**(132)**	(317)
Other	**973**	(660)
	7,055	11,910

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 21% (2019 - 21%) for SaskCentral and 27% (2019 - 27%) for Concentra Bank. The movement in deferred income tax asset (liability) is as follows:

	2020 $	2019 $
Balance, beginning of year	**9,867**	7,958
Recognized in profit or loss	**(1,732)**	2,653
Recognized in OCI:		
FVTOCI securities:		
Fair value measurement	**(796)**	(274)
Transfer to profit or loss	**4**	6
Own credit risk reserve	**862**	(477)
Other adjustments	**-**	1
Balance, end of year	**8,205**	9,867

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17. INCOME TAXES (continued)

The components of deferred income taxes are as follows:

	2020 $	2019 $
Deferred income tax assets		
Non capital loss carryforward	**14,701**	11,911
Loans	**15,226**	14,343
Deposits	**248**	868
Accounts payable and deferred revenue	**111**	120
Losses not yet deductible for tax purposes	**71**	90
Other	**616**	502
	30,973	27,834
Deferred income tax liabilities		
Securities	**(5,388)**	(4,235)
Securitization liabilities	**(14,260)**	(10,923)
Property, plant and equipment	**(2,445)**	(2,359)
Other	**(675)**	(450)
	(22,768)	(17,967)
Net deferred income tax asset	**8,205**	9,867

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

	2020 $	2019 $
Net deferred income taxes recoverable (payable):		
Within 12 months	**12,747**	1,065
After more than 12 months	**(4,542)**	8,802
Net deferred income tax asset	**8,205**	9,867

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 $54,446 (2019 - $44,114) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the years 2030 ($7,237), 2032 ($1,447), 2037 ($17,958), 2038 ($18,007) and 2040 ($9,797). The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

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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:

	2020 $							
				Term to maturity				
	Effective rate [1]	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Amortized cost								
Capital market deposits	**0.96%**	-	-	-	**199,719**	-	-	**199,719**
Commercial deposits	**0.92%**	**192,600**	**1,124**	**113,623**	**75,443**	-	-	**382,790**
Consumer deposits	**0.76%**	**819,706**	**490,320**	**803,062**	**938,959**	-	-	**3,052,047**
Personal deposits	**2.22%**	**139,692**	**231,321**	**1,030,688**	**1,425,073**	-	-	**2,826,774**
		1,151,998	**722,765**	**1,947,373**	**2,639,194**	-	-	**6,461,330**
Designated at FVTPL								
Provincial liquidity program [2]	**1.17%**	-	**100,009**	**299,567**	**980,788**	**1,754**	**959,068**	**2,341,186**
	-	**1,151,998**	**822,774**	**2,246,940**	**3,619,982**	**1,754**	**959,068**	**8,802,516**
Accrued interest								**42,639**
								8,845,155

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

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

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18. DEPOSITS (continued)

2019
$

	Term to maturity							
	Effective rate (1)	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Amortized cost								
Capital market deposits	2.57%	-	-	149,931	-	-	-	149,931
Commercial deposits	1.77%	121,111	2,078	87,460	10,214	-	-	220,863
Consumer deposits	1.74%	489,204	270,465	225,621	130,688	-	-	1,115,978
Personal deposits	2.54%	96,874	144,376	932,468	1,761,674	-	-	2,935,392
		707,189	416,919	1,395,480	1,902,576	-	-	4,422,164
Designated at FVTPL								
Provincial liquidity program (2)	2.00%	-	159,580	374,948	849,330	-	757,269	2,141,127
		707,189	576,499	1,770,428	2,751,906	-	757,269	6,563,291
Accrued interest								44,089
								6,607,380

(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, 2019 is equal to $2,134,643 resulting in cumulative unrealized gains on these deposits of $5,483.*

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. These repurchase agreements mature within one month (2019 – twelve months) and have a weighted average effective interest rate of 0.29% (2019 – 1.83%).

Lines of credit

SaskCentral has a credit facility with Central 1 for $100,000 (2019 - $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.

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19. LOANS AND NOTES PAYABLE (continued)

Lines of credit (continued)

In addition, SaskCentral has a secured credit facility with Canadian Imperial Bank of Commerce for $50,000 (2019 - $50,000) 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% (2019 – banker's acceptance rate plus 0.45%).

SaskCentral also has a secured credit facility with a major Schedule 1 Canadian bank for $400,000 (2019 - $500,000). The facility bears interest at the banker's acceptance rate plus 0.65% (2019 - banker's acceptance rate plus 0.50%) and is secured by insured residential mortgages or other qualified securities.

Notes payable

SaskCentral is authorized to issue a maximum of $800,000 (2019 - $600,000) under a commercial paper and the Bearer Deposit Note (BDN) program. Outstanding notes payable matures within twelve months (2019 – twelve months). The weighted average effective interest rate of these items is 0.76% (2019 – 2.05%).

Secured funding facilities

SaskCentral has access to two liquidity facilities sponsored by the Government of Canada, namely the Bank of Canada's Standing Term Liquidity Facility and Emergency Lending Assistance facility. SaskCentral had no outstanding balance (2019 – $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**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**	**$**	**$**
Repurchase payable	**10,017**	140,344	**10,009**	139,966	**10,000**	139,901
Lines of credit	**265**	37,825	**182,779**	179,717	**175,404**	176,855
Notes payable	**244,476**	352,402	**-**	-	**-**	-
	254,758	530,571	**192,788**	319,683	**185,404**	316,756

20. OTHER LIABILITIES

	2020	**2019**
	$	**$**
Servicing liabilities [note 12]	**15,864**	12,360
Deferred revenue	**121**	134
Allowance for undrawn commitments [note 11]	**885**	724
Lease liabilities	**3,987**	461
	20,857	13,679

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21. SHARE CAPITAL

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

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

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

SaskCentral's bylaws require that credit unions maintain either Class A or Class B membership share capital in SaskCentral at a minimum of 0.60% and a maximum of 1% of their previous year's assets. During 2020, SaskCentral repatriated $Nil (2019- $608) of Class A membership shares as a result of credit unions holding more than the maximum 1% of their previous year assets.

Class A membership shares

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

Class A membership shares may be redeemed only with the approval of the Board subject to the limits provided in the Act. The redemption price is determined with reference to the bylaws of SaskCentral. In accordance with the bylaws of SaskCentral, Class A membership shares are to be issued and redeemed at $10 per share. Upon liquidation or dissolution of SaskCentral, the Class A membership shareholders will be entitled to receive $10 per share prior to the holders of the Class B membership shares. Following the distribution of the $10 per share to both Class A and B members, the Class A shareholders are entitled to share equally, on a share by share basis, with the Class B membership shares in the remaining assets of SaskCentral.

At December 31, 2020, 16,868,995 Class A membership shares (2019 – membership shares of 16,542,424) were issued and outstanding. Membership shares issued during the year were exchanged for cash.

Class B membership shares

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

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

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21. SHARE CAPITAL (continued)

Investment shares

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

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

22. DIVIDENDS

In 2020, dividends of $14,542 (2019 - $15,260) were declared, as approved by the Board. Of the amount recognized in 2020, on December 7, 2020, the Board approved payment of a dividend of $1,128 to be paid to credit unions on January 15, 2021.

23. NET INTEREST INCOME

	2020 $	2019 $
Interest income		
Financial assets measured at amortized cost	**232,392**	232,642
Financial assets measured at FVTOCI	**63,059**	67,267
Financial assets measured at FVTPL	**1,326**	968
Financial assets designated at FVTPL	**34,714**	43,293
	331,491	344,170
Interest expense		
Financial liabilities measured at amortized cost	**198,843**	198,312
Financial liabilities designated at FVTPL	**34,216**	42,134
	233,059	240,446
Net interest income	**98,432**	103,724

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24. DUES, 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.

	2020 $	2019 $
Dues and assessment revenue		
Services transferred over time		
Liquidity management assessment	**4,432**	6,433
Dues and other assessment revenue	**462**	2,276
	4,894	8,709
Fee for service revenue		
Services transferred at a point in time		
Deposit and lending education	**257**	405
Clearing and settlement	**-**	12,978
Estate fees	**1,327**	1,469
Banking fees	**1,262**	1,587
	2,846	16,439
Services transferred over time		
Consulting	**4,660**	5,322
Management oversight	**2,059**	1,433
Syndication and servicing fees	**4,664**	5,331
Professional fees	**1,557**	1,304
Trust fees	**7,867**	7,968
Other revenue		
Tenant revenue	**2,293**	4,130
Parking revenue	**208**	259
Foreign exchange revenue	**7**	18
Miscellaneous revenue	**25**	7
	23,340	25,772
	26,186	42,211

25. SALARY AND EMPLOYEE BENEFITS

SaskCentral contributes annually to a defined contribution pension plan for employees. During the year, SaskCentral contributed $2,575 (2019 - $2,216) 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.

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25. SALARY AND EMPLOYEE BENEFITS (continued)

Due to COVID-19, the Government of Canada has implemented the COVID-19 Economic Response Plan. Under the plan SaskCentral is eligible for the Canada Emergency Wage Subsidy (CEWS). The subsidy, retroactive from March 15, 2020 to December 19, 2020, supports eligible Canadian businesses impacted by COVID-19. The program is divided into ten four week periods. To be eligible for the first period businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reduction of greater than 30%. For the remaining periods, a sliding scale based on overall revenue reduction in each period is used. SaskCentral recorded a wage subsidy of $1,192 (2019 - $nil) under the CEWS program. SaskCentral has recognized the subsidy as a reduction in salaries.

26. GAIN ON FINANCIAL INSTRUMENTS

	2020 **$**	**2019** **$**
Realized gains arising on financial assets measured as at FVTOCI	**433**	2,133
Unrealized (losses) gains arising on financial assets measured at FVTPL	**(12)**	1,439
Unrealized gains arising on financial assets designated as at FVTPL	**23,830**	11,998
Realized gains arising on financial assets designated as at FVTPL	**498**	486
Unrealized losses arising on financial liabilities designated as at FVTPL	**(21,897)**	(11,598)
Realized gains on loans at amortized cost	**2,564**	163
Gains on derecognized securitizations	**6,032**	4,139
Reclassification of net change in fair value on financial liabilities designated as at FVTPL from profit or loss to OCI (own credit risk reserve)	**3,193**	(1,767)
Realized gains on derivatives	**510**	(212)
Unrealized losses on derivatives	**(948)**	(521)
Ineffective portion of fair value hedges	**(56)**	8
	14,147	6,268

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 and Celero Solutions. Some of the services provided include facility services and financial services. SaskCentral also received financial services from Concentra Bank, CUPS, PPJV and technology services from Celero Solutions. All related party transactions with Concentra Bank and CUPS are eliminated upon consolidation and therefore, related party information with Concentra Bank and CUPS is not disclosed below.

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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:

	2020 $	2019 $
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	**1,811**	2,261
Due from included in trade and other receivables	**80**	97
Due to included in trade and other payables	**1,120**	1,589
Interest received from	**62**	107
Fee for service revenue received from	**996**	1,373
Technology services paid to	**12,309**	15,694
PPJV		
Lines of credit authorized to	**17,000**	-
Loans receivables from (amount drawn on line of credit)	**13,000**	-
Fee for service revenue received from	**74**	-
Services charges paid to	**136**	-

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:

	2020 $	2019 $
Directors		
Salaries and other short-term employee benefits	**758**	864
Post-employment and other long-term benefits	**5**	7
	763	871
Key management personnel		
Salaries and other short-term employee benefits	**6,726**	7,354
Post-employment and other long term benefits	**1,291**	871
Termination benefits	**-**	228
	8,017	8,453
	8,780	9,324

At December 31, 2020, certain directors and key management were indebted to SaskCentral for an amount totaling $533 (2019 - $nil) and held deposits at SaskCentral totaling $99 (2019 - $6). 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.

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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.

Origination commitments consist of agreements committing SaskCentral to fund a specified amount of qualifying consumer loans originated by third party brokers. As the commitments are not tied to specific borrowings, they do not represent a credit risk exposure and consequently are not subject to impairment. The committed amount represents the maximum amount of loans to be funded by SaskCentral over the term of the underlying agreements and the actual amount funded may be lower than the disclosed commitment.

SaskCentral earns minimal fees on commitments. The following table summarizes the contractual maturities of the financial assets underlying SaskCentral's credit commitments:

	2020 $	2019 $
Lines of credit and loan commitments		
Loans at amortized cost		
Original term to maturity of one year or less	**747,955**	691,335
Original term to maturity of more than one year	**545,673**	207,038
Loans at FVTPL		
Original term to maturity of more than one year	**54,918**	63,750
	1,348,546	962,123
Letters of credit and guarantees		
Original term to maturity of one year or less	**17,451**	32,031
Original term to maturity of more than one year	**17,969**	6,959
	35,420	38,990
Origination commitments	**-**	8,500
	1,383,966	1,009,613

Contractual commitments

As of December 31, 2020, SaskCentral has significant contractual commitments made on behalf of credit unions for data, management, risk management, technology management support and telecommunication services. In addition, SaskCentral also has contractual commitments for its own operations. The contracts have varying terms over 5 years.

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

	2021 $	2022 $	2023 $	2024 $	2025 $	Total
Contractual commitments	**3,804**	**1,340**	**638**	**258**	**199**	**6,239**

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28. COMMITMENTS (continued)

Group Clearing Agreement

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

Prairie Payments Joint Venture Agreement

Under the terms of the *Prairie Payments Joint Venture Agreement*, the revenues, expenses, losses and costs of capital projects of PPJV belong to and are borne exclusively and in equal share by the joint venturers. Each joint venturer 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 2027 for the development and operation of a payments processing platform. SaskCentral's proportionate share of these commitments is $38,514.

Litigation and other contingencies

SaskCentral is subject to various claims and litigation arising from time to time in the ordinary course of business. SaskCentral records a legal provision when it becomes probable that SaskCentral will incur a loss and the amount can be reliably estimated. The established legal provisions represent SaskCentral's best estimate of the expenditure required to settle current and pending litigation proceedings and the related legal costs, based on currently available information. However, given the uncertainties inherent in litigation proceedings, there is a possibility that the ultimate resolution may materially differ from current estimates.

29. SUBSIDIARIES

CUVentures LP

As discussed in note 3, CUVentures LP was dissolved and wound down on December 15, 2020. Prior to December 15, 2020, SaskCentral owned 100% (2019 – 100%) of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral had control over CUVentures LP and CUVentures LP was consolidated into these financial statements. CUVentures LP's principal place of business was Regina, Saskatchewan.

Concentra Bank

SaskCentral owns 84.02% (2019 – 84.02%) of the common shares of Concentra Bank. As described in note 3, SaskCentral has control over Concentra Bank as a result of SaskCentral's ability to call a special resolution vote on any matter or Board decision related to Concentra Bank and its voting interest in Concentra Bank. Concentra Bank is consolidated into these financial statements. Concentra Bank owns 100% of the common shares of Concentra Trust. Concentra Bank's principal place of business is Regina, Saskatchewan.

The portion of net assets and income attributable to third parties is reported as non-controlling interest and profit or loss attributable to non-controlling interest in the consolidated balance sheet and consolidated statement of profit or loss, respectively. The non-controlling interest of Concentra Bank were initially measured at fair value on the date of acquisition.

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29. SUBSIDIARIES (continued)

The following table summarizes the financial information relating to SaskCentral's subsidiaries, before any intra-group eliminations:

	2020 $	
	CUVentures LP	**Concentra Bank**
Assets	**-**	**11,063,911**
Liabilities	**-**	**10,536,796**
Revenue	**(7)**	**316,748**
Profit (loss)	**(7)**	**25,383**
Other comprehensive income	**-**	**10,319**
Total comprehensive income (loss)	**(7)**	**35,702**

	2019 $	
	CUVentures LP	**Concentra Bank**
Assets	241	8,944,702
Liabilities	-	8,442,814
Revenue	(2)	321,908
Profit (loss)	(2)	30,082
Other comprehensive income	-	3,079
Total comprehensive income (loss)	(2)	33,161

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

	2020 $	2019 $
Balance at beginning of year	**178,459**	174,407
Comprehensive income attributable to non-controlling interest for the year	**9,547**	10,015
Dividends	**(5,963)**	(5,963)
Balance at end of year	**182,043**	178,459

30. ASSETS AND LIABILITIES HELD FOR SALE

In November 2018, SaskCentral entered into an agreement with a third party to dispose of its investment property along with the associated assets and liabilities. Consequently, the affected assets and liabilities were reclassified and presented separately in the consolidated balance sheet as held for sale and are measured at the lesser of fair value less costs to sell and their previous carrying value. The reclassification resulted in no gain or loss being recognized in the consolidated statement of profit or loss.

In 2020, the investment property generated nil rental income (2019 - $669). Direct operating expenses recognized in the consolidated statement of profit or loss were nil (2019 - $528).

Completion of the sale occurred on April 24, 2019. The sale resulted in a gain of $2,986 recognized in the consolidated statement of profit and loss.

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31. APPLICATION OF NEW AND REVISED IFRSs

Amendments to IAS 1 and IAS 8, Definition of material

The amendments are intended to make the definition of material in IAS 1, *Presentation of Financial* Statements (IAS 1) easier to understand and not intended to alter the underlying concept of materiality in the IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8) has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning or after January 1, 2020. The application of the amendments to IAS 1 and IAS 8 has had no impact on SaskCentral's consolidated financial statements.

Amendment to IFRS 3, Definition of a business

Effective January 1, 2020, SaskCentral adopted amendments to IFRS 3, *Business Combinations* (IFRS 3). The amendments to IFRS 3 provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. It is applied prospectively for annual periods beginning on or after January 1, 2020. The implementation of the amendments to IFRS 3 did not have any impact on SaskCentral's consolidated financial statements.

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