



SaskCentral
Annual Report

2022



CONTENTS

Vision, Purpose, Values 1

Letter from the Chair and the CEO 2

Corporate Profile 4

Saskatchewan Credit Union Performance 12

Strategy 14

Corporate Governance 18

Co-operative Social Responsibility 22

Management Discussion & Analysis 24

Audit and Risk Committee Report to the Members 37

Note: Visit saskcentral.com to view the audited Consolidated Financial Statements and Notes to Consolidated Financial Statements.

OUR VISION, PURPOSE, VALUES

OUR VISION

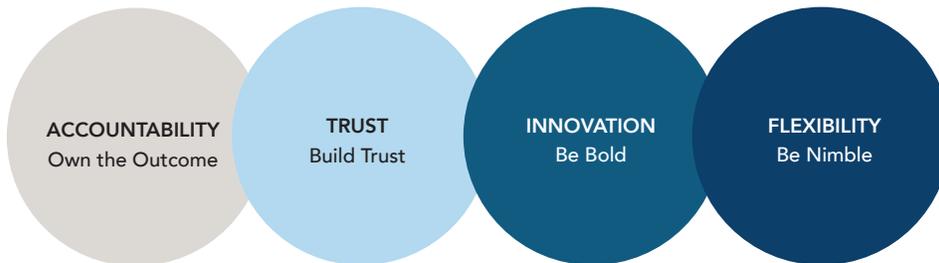
We are a trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024.

OUR PURPOSE

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

OUR VALUES

SaskCentral follows four **Elevated Core Values**:



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

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

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

- Honesty
- Openness
- Social responsibility
- Caring for others

LETTER FROM THE CHAIR AND THE CEO



Over the past year, SaskCentral made great strides on its journey of intentional transformation, advancing through Mission 2 of Enterprise Strategy 2024. This strategy, which was launched in 2021, lays out the roadmap to achieve our Vision of being “a trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024.”

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

In 2022, we completed Mission 2 – accelerating our transformation by deepening our core competencies and process, approving significant repatriation of capital back to credit unions, and shifting our business model. We have achieved or exceeded most of our goals with a focus on advancing action within six key areas:

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

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

- Closed the sale of Concentra Bank to Equitable Bank and received board approval for the method and form of sale proceeds distribution to credit unions.
- Closed three sale transactions for our National Consulting business and successfully transitioned services to the buyers.
- Received Credit Union Deposit Guarantee Corporation (CUDGC) approval to reduce the statutory liquidity requirement for credit unions from 10% to 8.65%, and developed a transition plan. Further received CUDGC approval to provide the option for qualifying credit unions to self-manage up to 2% of their statutory liquidity.
- Secured membership approval for changes to bylaws allowing for consistent capitalization.
- Initiated credit union consultation on future focused bylaw & governance changes.
- Through Project Evolution, secured directional approval from all three prairie Centrals to advance changes to the future ownership of Celero Solutions and Everlink.
- Meaningfully improved the tenancy levels in SaskCentral’s building and developed a board-approved sale strategy for the building.
- Right-sized the workforce, implemented a new structure, introduced a leadership development program, and modernized the total rewards program.
- Met or exceeded targets for financial measures.

LETTER FROM THE CHAIR AND THE CEO

As always, our people are at the heart of achieving our goals. Throughout 2022, employee engagement remained a priority, with clear and consistent communications on Enterprise Strategy 2024. Our employees continued to demonstrate our elevated Core Values of Accountability, Trust, Innovation and Flexibility, as we launched several projects and implemented organizational structure and role changes to support our future direction.

In 2022, the credit union sector continued to grow with Saskatchewan credit unions' assets totaling \$28.59 billion, an increase of \$1.14 billion over 2021, and a membership of more than 497,000, 7,000 higher than the prior year.

As we look to 2023 and the third mission of our current enterprise strategy, our focus is on elevating our operations through refreshed governance, lean processes, exceptional execution, and innovative leadership. This includes establishing a new business model to support our future state, allowing us to effectively respond to payments modernization, technological advancements, evolving regulation, and elevated customer expectations.

In all our decisions, SaskCentral remains committed to you, our owners. Thank you for your support in 2022.

Shawn Good,
CEO



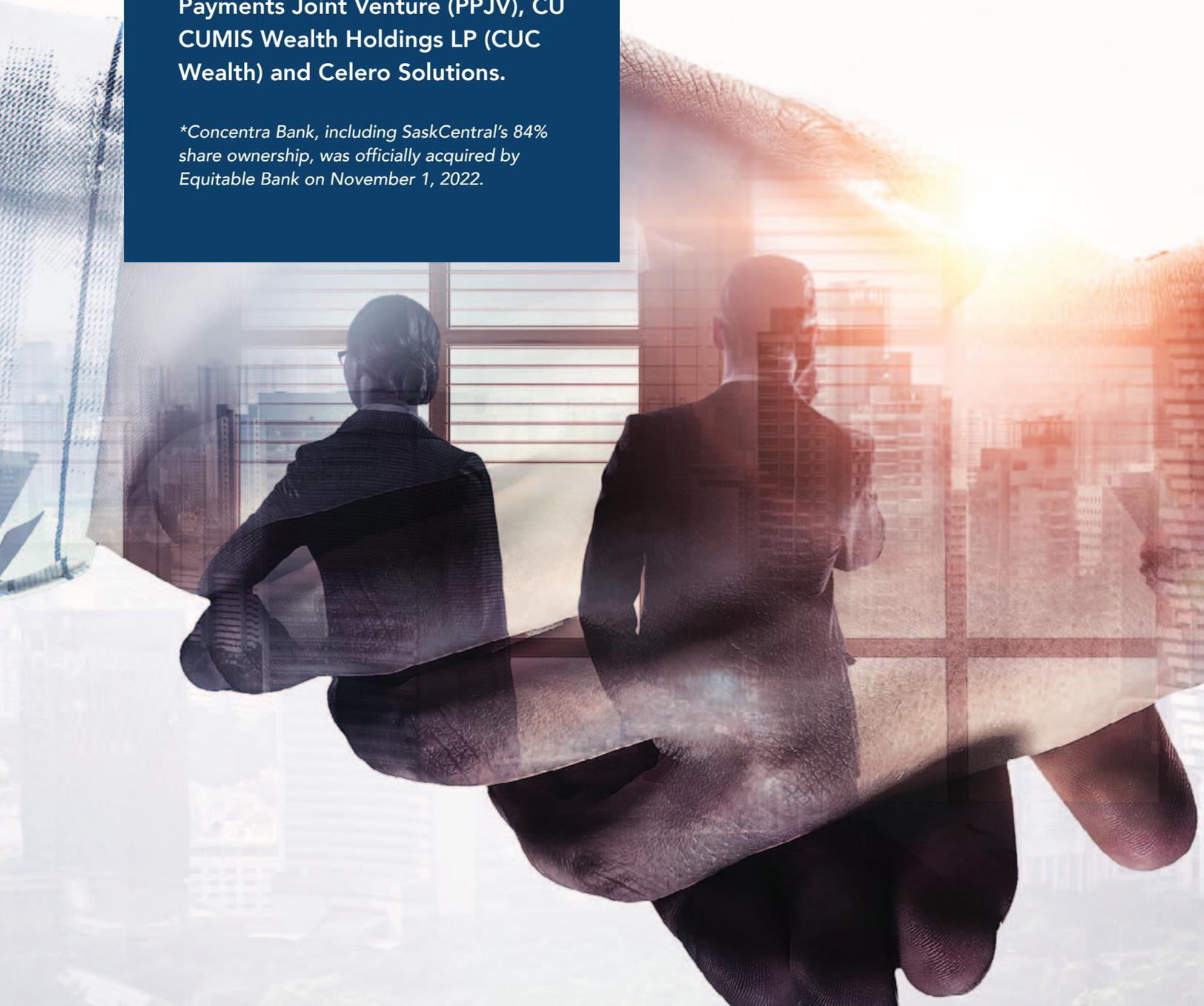
Mark Lane,
Chair



CORPORATE PROFILE

SaskCentral is the liquidity manager and conduit to payments ecosystems for Saskatchewan credit unions. SaskCentral also maintains business relationships with, and investments in, a number of entities on behalf of Saskatchewan credit unions, including Concentra Bank*, Prairie Payments Joint Venture (PPJV), CU CUMIS Wealth Holdings LP (CUC Wealth) and Celero Solutions.

**Concentra Bank, including SaskCentral's 84% share ownership, was officially acquired by Equitable Bank on November 1, 2022.*



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 CUDGC Liquidity Adequacy Requirements.

Effective January 1, 2024, the regulatory requirements will move to 8.65%. In 2023, credit unions will be allowed to transition from 10% to 8.65%.

Clearing and Settlement

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

The PPJV manages the daily clearing and settlement operations for credit unions. Settlement operations include processing of Interac e-Transfer, wires, cheque, AFT and bill pay. Daily balances are cleared through SaskCentral; the net Saskatchewan cash flow is aggregated with other provinces and the 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 the Lynx system for high value payments and the Automated Clearing and Settlement System for batch payments. Centrals pledge collateral to the Bank of Canada and, in return, the Bank of Canada issues a current account and a line of credit to facilitate the flow of funds to or from financial institutions.

Daily Cash Flow Management

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

SaskCentral provides credit unions with 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 the ability of the liquidity manager to control HQLA.

National Consulting Services

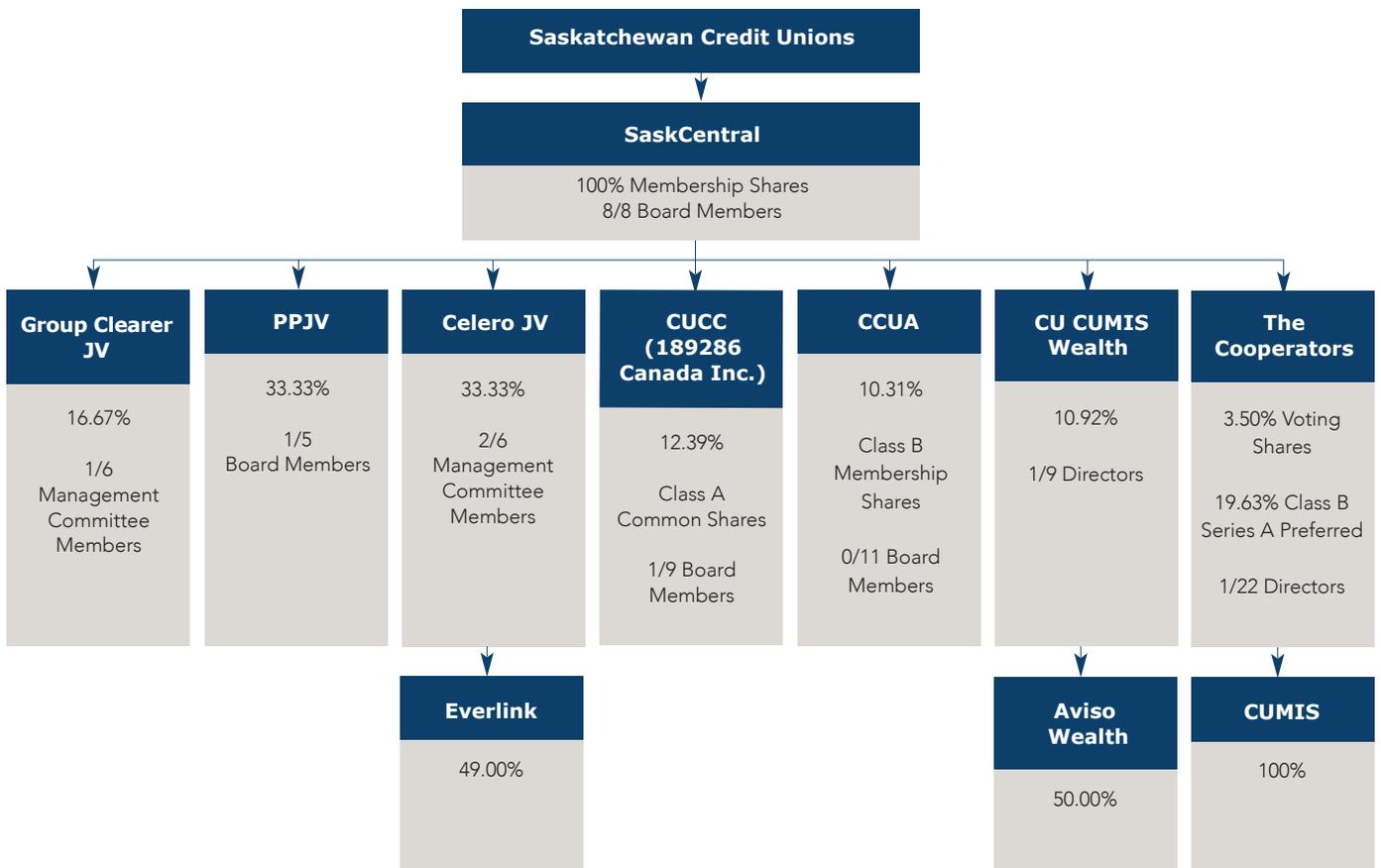
(Discontinued Service. See Note 30 of the financial statements.)

Before its divestiture from SaskCentral, the National Consulting team supported credit unions in creating, designing, and implementing sustainable solutions with a wide range of consulting services, including:

- Anti-Money Laundering Compliance Support
- Banking and Related Services
- Card Issuance Services
- Deposit & Lending Compliance
- Digital Banking Services
- Fraud Management
- Internal Audit
- Operational Training
- Procurement Services
- Strategic Planning & Risk Management

Strategic Partners

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



CORPORATE PROFILE

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) for Alberta and Saskatchewan credit unions and Manitoba Payments Services for Manitoba credit unions. The PPJV provides payment and related support services to its owners Alberta Central (33.3%), SaskCentral (33.3%), and CUCM (33.3%).

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

Celero Solutions

Share ownership by SaskCentral: 33.3%

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

CUC Wealth

Share ownership by SaskCentral: 10.9%

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

The Co-operators Group Limited

Share ownership by SaskCentral: 3.5%

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

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

Canadian Credit Union Association (CCUA)

Share ownership by Saskatchewan Credit Unions (Class A): 16.8%

Share ownership by SaskCentral (Class B): 10.3%

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

CUCC (legal name 189286 Canada Inc.)

Share ownership by SaskCentral: 12.4%

CUCC provides payments support for Interac products and services to the national credit union system and acts as the Master Client on behalf of credit unions that use Everlink as the service provider for core Interac products and services.

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 for group clearing strategies, activities and risks on behalf of credit unions across the country.

Concentra Bank

Share ownership by SaskCentral: 0.00%

SaskCentral divested its 84% ownership on November 1, 2022. See Note 29 of the consolidated financial statements.

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. As SaskCentral nears completion of its Enterprise Strategy, it is undertaking an in depth review of future business model alternatives to determine the best business model to serve credit unions going forward.

Governance

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

SaskCentral's leadership team is represented on the following Boards and committees:

SaskCentral Leadership Representation on Strategic Investees

PPJV Board	CUC Wealth Board
Celero Management Committee and Everlink Board	Group Clearer Joint Venture (GCJV) Management Committee
CUCC Board	

As a result of direct representation on the PPJV Board, SaskCentral's Board has appointed M. Elchuk, CIO Affinity Credit Union, to the observer role on the PPJV Board. Saskatchewan credit unions are also represented on Celero's Management Committee.

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. Investees regularly present to the SaskCentral board at quarterly board meetings.

How Investee Earnings Are Distributed to Credit Unions

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

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

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

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

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

CORPORATE PROFILE

EXECUTIVE TEAM



Shawn L. Good, CEO

- SaskCentral: January 2021-April 2023
- 25 years financial services and credit union experience
- Past Employers: Prospera Credit Union, Conexus Credit Union, Good Direction Consulting, Kindred Credit Union
- Executive MBA Queen's School of Business
- ICD.D designation, Institute of Corporate Directors
- Board Member: Celero Joint Solutions Inc., 189286 Canada Inc. (o/a CUCC Services) Board of Directors (Chair), Everlink Payment Services Inc. Board of Directors



Stephen Fitzpatrick, Chief Financial Officer and Chief Risk Officer – CEO

- Joined SaskCentral in 2021 as CFO/CRO and was appointed CEO in April, 2023
- Past Employers: Exchange Bank of Canada/Currency Exchange international, Canadian Credit Union Association, Capital Planning Solutions Inc., CIBC
- MBA, Accounting and Finance, University of Western Ontario - Richard Ivey School of Business; Bachelor of Business Administration (BBA), Accounting, University of Prince Edward Island
- ICD.D designation, Institute of Corporate Directors; CPA designation, Chartered Professional Accountants of Ontario
- Director: Interac Association/ Acxsys Corporation, Concentra Financial Services Association/Concentra Bank
- Chair: Interac Association
- Member: Group Clearing Joint Venture Management Committee, Prairie Payments Joint Venture Transition Management Board
- Member: Project Evolution Steering Committee



Cheryl Maksymiw, Interim Chief Financial Officer and Chief Risk Officer

- Joined SaskCentral in 2009 and was appointed Interim CFO/CRO in April 2023
- Past Employers: CUETS Financial, The Canada Life Assurance Company, Deloitte
- Chartered Professional Accountant designation; Bachelor of Administration with Cooperative Education designation, University of Regina
- Member: CU CUMIS Wealth Holdings Board

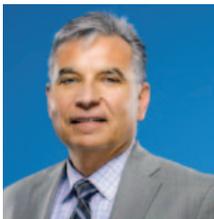


Greg Willner, Head of Governance & Legal

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

**CORPORATE
PROFILE****Jennifer Uhren, Executive, Corporate Services**

- Joined SaskCentral in 2004
- 20+ years business and credit union experience
- Bachelor of Commerce Degree, University of Calgary
- Chartered Professional in Human Resources designation (CPHR)
- Human Capital Management Certificate, Queen's School of Business
- Board member, Co-operators Group Limited

**Duane Blahun, Chief Transformation Officer**

- SaskCentral: August 2019-October 2022
- 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
- Former Member: CCUA 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, SaskCentral helps Saskatchewan credit unions meet their own targets for success.

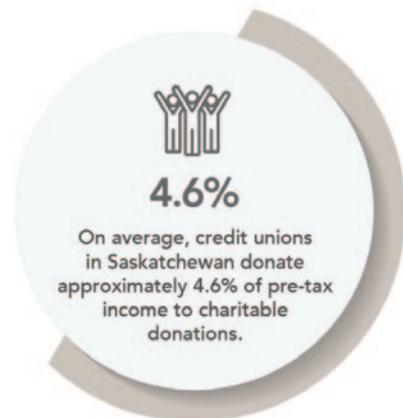
Through their work to help meet the financial services needs of Saskatchewan businesses, consumers and agriculture producers, credit unions have a significant impact on the provincial economy. They also help advance the well-being of their members by returning profits with patronage, and contribute to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



SASKATCHEWAN CREDIT UNION PERFORMANCE

FACTS

- As of January 1, 2023, there were 33 credit unions in Saskatchewan serving 197 communities through 224 service outlets.
- Out of the 1.2 million people in Saskatchewan (as of Jan. 1, 2023, Government of Saskatchewan Dashboard), more than 497,000 are members of a credit union, and more than 68,000 non-members do business with a credit union, which combined is more than 47% of the population.
- In 2022, Saskatchewan credit unions had assets of \$28.59 billion with revenue of more than \$1.43 billion.
- Credit unions contribute approximately \$779 million in economic impact to Saskatchewan annually and, in 2022, employed more than 3,400 people, providing salaries and benefits close to \$353 million.
- In 2022, provincial credit union lending amounts were more than \$21 billion. Saskatchewan credit unions maintain approximately 41% of the SME market (CFIB Financial Main Street, Research Series, March 2023) and are a critical source of loans and mortgages for small and medium sized businesses.
- In 2022, Saskatchewan credit unions returned close to \$18.86 million to their members in the form of patronage equity contribution and dividends.
- On average, credit unions in Saskatchewan donate approximately 4.6% of pre-tax income to charitable donations and sponsorships to local community organizations, well above the recognized banking industry standard of 1% or less.
- In the annual 2022 Ipsos® Financial Service Excellence Awards, credit unions were ranked 1st among all financial institutions in providing Customer Service Excellence for the 18th year in a row.



STRATEGY

In 2021, SaskCentral embarked on a multi-year enterprise-wide strategy that included sequential missions and accompanying business strategies to achieve our 2024 Vision where we become:

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

In 2021, our mission was to ignite and unleash our passion to serve credit unions into focused action. In 2022, our mission was to accelerate our transformation by deepening our core competencies and processes, repatriating capital and shifting our business model. The strategy included six building blocks within each mission, representing our priorities, as well as targets and measures indicating progress towards achieving our Vision.





1.
Focused and efficient entity providing wholesale core services

2.
Fiscally responsible and financially stable

3.
Enable credit unions to achieve direct ownership and control

4.
Our value to stakeholders must be crystal clear

5.
Inspired, empowered, high-performing leaders

6.
Continuous innovation to support stakeholders and transformed experience

STRATEGY

Throughout 2021 and 2022, we made significant progress to boldly transform and evolve into an efficient and innovative entity focused on providing the critical infrastructure services of statutory liquidity and credit facilities; and payments, clearing and settlement.

1. Building Block: Statutory Liquidity Management

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

To advance this building block, in 2022, we:

- Determined the amount of statutory liquidity required, obtained CUDGC approval to reduce the requirement from 10% to 8.65% and developed a transition plan for credit unions.
- Received CUDGC approval, beginning in 2024, to allow credit unions to manage up to 2% of that 8.65% of statutory liquidity on their own balance sheets.

2. Building Block: Payments, Clearing and Settlement

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

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

To advance this building block, in 2022, we:

- Received agreement in principle with the GCJV on Group Clearer agreements, with more constructive, risk-reducing terms.
- Received approval from Bank of Canada to be a direct participant for Real Time Rail payments when they are introduced.
- Achieved alignment with PPJV on clearing and settlement integration, and established regular engagement with PPJV management, including serving on the PPJV Board.

3. Building Block: Strategic Investments

SaskCentral holds investments on behalf of Saskatchewan credit unions and must make appropriate decisions about those investments. This includes determining ownership strategies and assessing which investments are appropriate to be owned via SaskCentral, versus those that are appropriate to be owned and controlled via other models, such as by credit unions themselves.

To advance this building block, in 2022, we:

- Reached an agreement for Equitable Bank to acquire SaskCentral's 84% interest in Concentra Bank and closed the sale.
- Obtained SaskCentral Board approval for the method and form of the Concentra sale proceeds distribution to credit unions.
- Established and activated working groups to determine the future ownership of Celero Solutions and Everlink and received SaskCentral Board direction on both.
- Increased leased space in the SaskCentral building from 30% to 49%, and developed and initiated implementation of a sale strategy.

4. Building Block: Discretionary Services

SaskCentral's business model must align to the strategic direction and future of the organization, which means aligning services with the core wholesale focus of that future state. In that light, in 2022, SaskCentral pursued options to separate National Consulting from SaskCentral to position the business in a way that is more conducive for growth and success and provide a different ownership model that would allow for greater value and alignment with credit unions' needs.

To advance this building block, in 2022, we:

- Closed three sale transactions for National Consulting on or prior to June 30, 2022.
- Successfully transitioned services largely to credit union buyers, retaining a minimal number of services

5. Building Block: Governance

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

To advance this building block, in 2022, we:

- Obtained membership approval for changes to bylaws allowing for consistent capitalization.
- Initiated credit union consultation on future focused bylaw & governance changes.

6. Building Block: People and Culture

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

To advance this building block, in 2022, we:

- Launched a redesigned Total Rewards and Performance Management Program.
- Established an inclusion, diversity, equity and accessibility strategy.
- Implemented a leadership development program aligned to our future culture.
- Implemented organizational structure changes resulting from divestiture decisions.

CORPORATE GOVERNANCE

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



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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

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.



Mark Lane, Chair

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



Tim Goddard

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



Mitchell Anderson

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



Doug Jones

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



Gilles Colbert

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



Ian McArthur

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



Neil Cooper

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



Annette Revet

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

CORPORATE GOVERNANCE

Compensation

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

Director	Per Diem Direct	Per Diem CU	Honorarium Direct	Honorarium CU	Other Compensation	Total
Mitchell Anderson	6,850	–	8,100	–	3,443	18,393
Mark Lane	–	7,922	25,000	–	3,658	36,580
Gilles Colbert	7,125	–	8,100	–	4,124	19,349
Neil Cooper	–	5,958	–	8,100	273	14,331
Tim Goddard	7,219	–	8,100	–	3,557	18,876
Doug Jones	5,531	–	8,100	–	4,226	17,857
Ian McArthur	5,406	–	8,100	–	1,468	14,974
Annette Revet	–	5,944	–	8,100	1,650	15,694
Total:	32,131	19,824	65,500	16,200	22,399	156,054

Board Attendance	Meetings Attended
Mitchell Anderson	12/12
Mark Lane	12/12
Gilles Colbert	10/12
Neil Cooper	11/12
Tim Goddard	12/12
Doug Jones	11/12
Ian McArthur	11/12
Annette Revet	12/12

Meetings Referenced Above	
Board	4
AGM	1
Planning/Development	3
Special Board	4

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

Board Evaluation

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

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

Code of Conduct

A written code of ethical business conduct has been adopted by the board to guide director and employee activities and ensure accountability. All directors, delegates and employees of SaskCentral are required annually to sign a statement that they have read and will abide by this code. The code of conduct is reviewed every two years by the board and corporate counsel. The last review took place in March 2022.

CORPORATE GOVERNANCE

Whistle Blower Policy

The SaskCentral whistleblower policy states that all SaskCentral employees and directors are responsible for reporting actual or potential unethical conduct. The intent of this policy is to provide individuals with a mechanism or channel by which they can report incidents of actual or potential improper or unethical conduct without fear of reprisal or unwarranted negative consequences. The whistle blower policy is reviewed by the board and corporate counsel every two years. The last review took place in September 2022.

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 March 2022. A CEO performance plan is developed and evaluated based on the position description, business plan and balance scorecard.

COMMITTEES

Audit and Risk Committee

Role:

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

Audit & Risk Committee	Meetings Attended
Mitchell Anderson (Chair)	5/5
Gilles Colbert	5/5
Neil Cooper	5/5
Mark Lane	5/5
Doug Jones	5/5

Governance, Human Resources and Conduct Review Committee

Role:

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

Governance, HR & Conduct Review Committee	Meetings Attended
Annette Revet (Chair)	4/4
Tim Goddard	4/4
Mark Lane	4/4
Ian McArthur	4/4

Transaction Oversight Committee

Role:

- The Transaction Oversight Committee was established by the SaskCentral Board of Directors to act on its behalf with respect to the divestiture of SaskCentral's ownership of Concentra Bank.

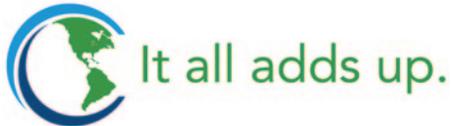
Transaction Oversight Committee	Meetings Attended
Neil Cooper (Chair)	8/8
Doug Jones	8/8
Annette Revet	8/8
Mark Lane	8/8

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, SaskCentral conducts CSR activities under its own *It All Adds Up* program. Our CSR strategy links to our corporate values and business plan and, more importantly, aligns with the plans and priorities of our key stakeholders – credit unions, employees and the community.



CO-OPERATIVE SOCIAL RESPONSIBILITY



CREDIT UNIONS

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

In 2022, we continued to provide value to credit unions by managing our operating expenses to ensure the ongoing stability of operations, while also completing several significant initiatives intended to return capital and liquidity to credit unions.

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. In 2022, employees donated close to 109 hours of their time.

Creating a safe, comfortable and environmentally friendly workplace is also a priority. In 2022, SaskCentral renewed its BOMA BEST silver certification which it will hold until 2025. 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 2022, the organization donated more than \$65,000 to local charities and non-profit organizations through financial contributions, volunteer hours and in-kind donations. This includes 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 2022, we donated \$19,200 to 29 Saskatchewan community organizations.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS). This MD&A is dated April 19, 2023 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 clearing and settlement access provider, for Saskatchewan credit unions. Through effective strategy execution, efficient liquidity management and targeted products and services, SaskCentral helps Saskatchewan credit unions meet their own targets for success.

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

Concentra Bank
Celero Solutions
CUC Wealth
Prairie Payments Joint Venture (PPJV)

Accounting Classification

Subsidiary
Investment in associate
Investment in associate
Subsidiary

Concentra Bank, including SaskCentral's 84% share ownership, was officially acquired by Equitable Bank on November 1, 2022. Refer to note 29 of the consolidated financial statements for further information regarding the sale.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

2022 was a turning point for the global economy as high inflation forced central banks to raise interest rates sharply, with the Bank of Canada increasing the overnight rate from 0.25% to 4.25% by the end of 2022. The war on Ukraine and a sharp slowdown in China weighed significantly on global growth. Despite geopolitical tensions and uncertainty, the Canadian economy proved resilient with real Gross Domestic Product (GDP) growth of 3.4%. The economy was supported by a strong labour market, household savings, high commodity prices, and pent-up demand from COVID restrictions.

The 2023 outlook is expected to remain muted as the Bank of Canada continues to fight inflation. Although inflation is expected to taper off by mid-year, the consequences of higher interest rates may linger until the 1-3% target range is reached. GDP growth is expected to be muted in 2023, around 1.2% and increase slightly in 2024.

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, prudent management of capital and 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 its 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'.

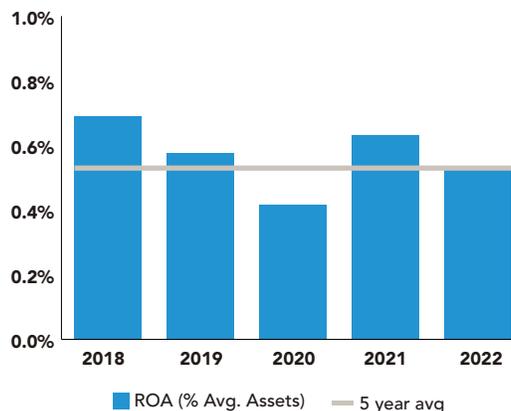
Results Overview

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.

Profitability

In 2022, credit unions reported earnings of \$130 million (2021 – \$163 million) for a return on average assets of 0.50% (2021 – 0.61%). Credit unions have seen a decline in profitability over prior year results. Credit unions saw the largest year-over-year increase in personnel expenses, likely driven by the tight labour market and costs associated with recruiting and retaining the required talent to deliver on operational and strategic objectives.

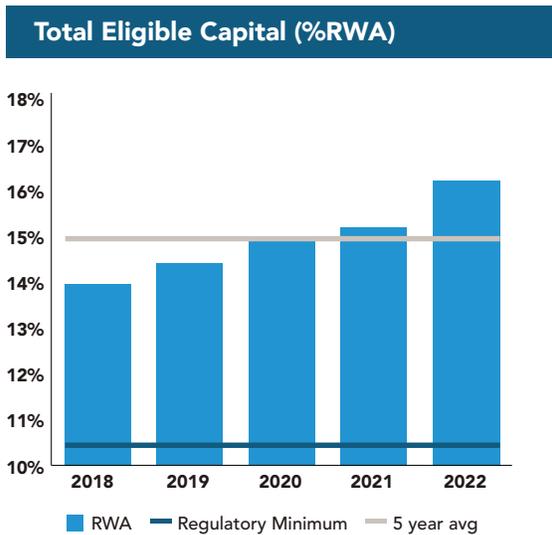
Return on Average Assets



MANAGEMENT DISCUSSION AND ANALYSIS

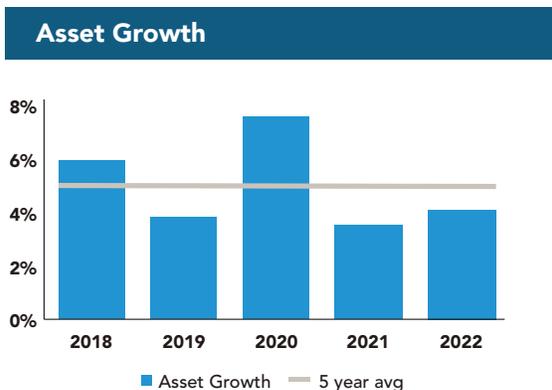
Capital

Capital levels ended 2022 far exceeding 2021 results. Total eligible capital as a percentage of risk-weighted assets (RWA) closed the year at 16.4% (15.2% in 2021). Growth in capital is bolstered by the one-time dividend from SaskCentral related to the sale of Concentra Bank. Credit union capital is well above the current regulatory minimum of 10.5%.



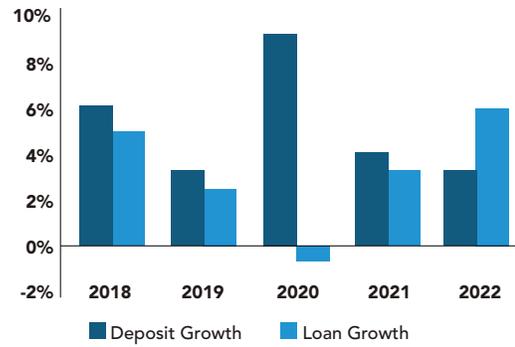
Growth

Assets grew by 4.2% to \$28.6 billion (2021 – 3.5% to \$27.5 billion). Growth levels ended the year on a positive note and outperformed 2021 results, with the exception of deposit growth which shrunk compared to 2021 results.



Loans grew 6.3% to \$21.3 billion (2021 – growth of 3.4% to \$20.0 billion) and deposit growth was 3.5% compared to 4.8% in 2021.

Deposit/Loan Growth



Liquidity Risk

The Liquidity Coverage Ratio (LCR) increased to 232.4% (2021 – 221.2%) at the end of 2022. This is due to an increase in High Quality Liquid Assets (HQLA). Liquidity levels continue to meet regulatory expectations and are indicative of adequate liquidity capacity in credit unions.

Credit Risk

Delinquencies greater than 90 days as a percentage of loans continued to fall in 2022 to 0.59% (2021 – 0.86%). Delinquency levels are in part lower due to the strength of the Saskatchewan economy and low unemployment. Delinquencies remain primarily concentrated in commercial loans and mortgages.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Rate Risk

Interest rate risk increased in 2022, trending at levels above the five-year average. For a 1% increase in interest rates, the net market value change to assets increased to -0.74% (-0.66% in 2021). The increase in interest rate risk that credit unions are experiencing is tied to the substantial rate hikes

that occurred throughout the year in the Bank of Canada's overnight rate which ended the year at 4.25% (an increase of 400 basis points). Credit unions have continued to respond by repositioning their prime rate. However, deposits continue to reprice at a faster pace than loans, making credit unions liability sensitive.

Statistical Review of Credit Unions

	2018	2019	2020	2021	2022
Credit Unions	44	40	39	36	35
Employees	3,355	3,365	3,277	3,384	3,449
Members	481,124	482,009	486,152	490,288	497,389

Two credit union mergers took place on January 1, 2023, causing the number of credit unions to drop to 33 at that time.

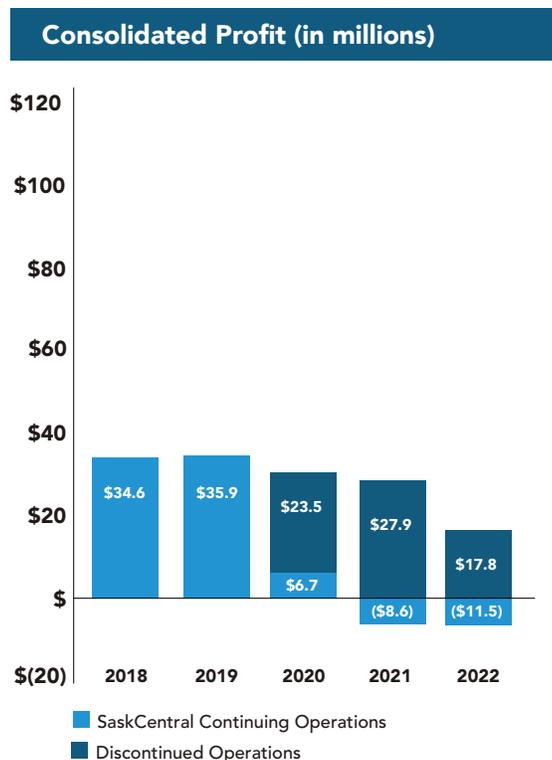
2022 SASKCENTRAL CONSOLIDATED FINANCIAL PERFORMANCE

Results Overview

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

Profitability

SaskCentral generated profit of \$6.3 million (2021 – \$19.4 million). SaskCentral's loss from continuing operations was \$11.5 million (2021 – \$8.6 million loss). The increase in loss from continuing operations was mainly due to SaskCentral's 1/3rd share of PPJV losses. SaskCentral's profit from discontinued operations, including the gain on sale of discontinued operations, was \$17.8 million (2021 - \$27.9 million).



MANAGEMENT DISCUSSION AND ANALYSIS

Net interest income increased to \$11.8 million (2021 - \$5.6 million) primarily due to the increased short-term interest rates during the year.

Assessment revenue increased to \$6.1 million (2021 - \$5.1 million) as a result of observed shifts in market comparable pricing. SaskCentral continued to offer the services consistent with market benchmarks in 2022.

Fee for service revenue decreased to \$14.8 million (2021 - \$20.1 million) primarily due to the divestiture of the National Consulting line of business. The services offered by National Consulting included deposit and lending education, certain consulting services and management oversight services.

Realized and unrealized losses on financial instruments increased to \$5.3 million (2021 - \$3.0 million) due to sharp increases in market interest rates in response to higher than anticipated inflation, and a shift in monetary policy from the Bank of Canada.

The share of losses of associates represents SaskCentral's share of net income (losses) from its investees, including Celero Solutions and CUC Wealth. SaskCentral's share of losses was \$3.9 million (2021 - \$2.5 million profit). The increase in the share of losses is mainly due to losses incurred by Celero Solutions.

SaskCentral has not recognized losses totaling \$3.4 million (2021 - \$nil) in relation to its interest in Celero Solutions because SaskCentral has no obligation in respect of those losses. In addition, the loans to Celero Solutions described in note 27 of the consolidated financial statements are not considered part of the net investment and therefore, the unrecognized losses have not been attributed to those loans. Although SaskCentral is liable in proportion to its ownership interest in Celero Solutions, for all of Celero Solutions' covenants and obligations, these losses do not reflect an obligation to SaskCentral at the end of the reporting period and therefore have not been recognized. Celero Solutions' 2022 financial results were impacted by a loss that was one-time in nature. The non-cash loss is not expected to negatively impact Celero Solutions' ability to

deliver on its future plans or its ability to continue to provide mission critical products and services to its many credit union members across Canada.

Non-interest expenses represent expenditures incurred to manage liquidity for Saskatchewan credit unions, as well as general operating expenses such as salary and employee benefits and occupancy costs. Non-interest expenses decreased to \$39.6 million (2021 - \$42.8 million) largely due to cost savings in salary, employment benefits and professional fees.

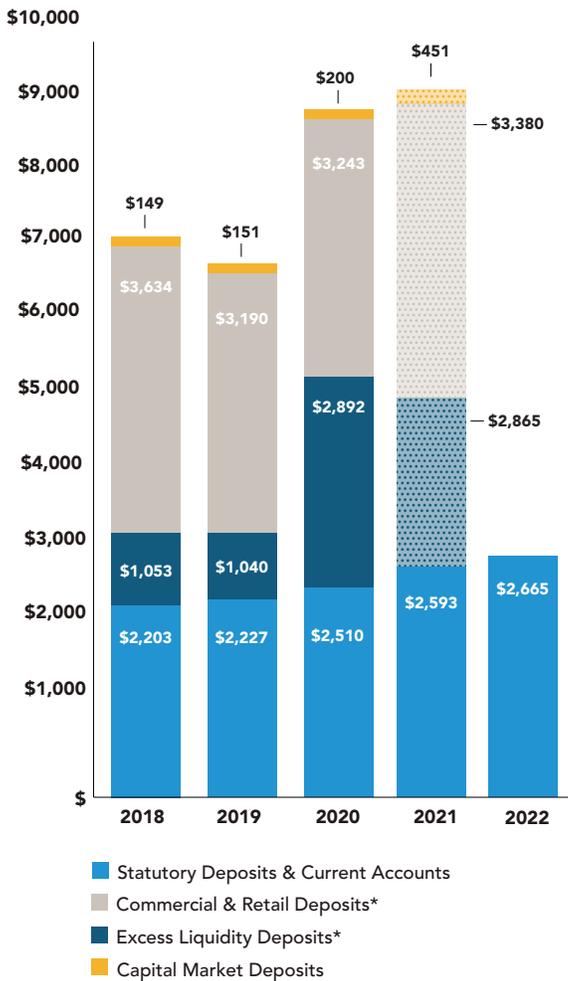
SaskCentral declared \$290.6 million of dividends to credit unions related to the proceeds from the sale of Concentra Bank. These dividends were paid to credit unions in February 2023. SaskCentral also declared distributions to credit unions received from Celero Solutions of \$1.2 million (2021 - \$2.2 million), representing a 0.7% (2021 - 1.3%) return on investment. These distributions were paid to credit unions in January 2023.

Growth

Deposits are comprised of statutory liquidity deposits and credit union cash balances. Statutory liquidity deposits increased 2.1% (2021 - 2.8%) and credit union cash balances increased 11.7% (2021 - 11.0%). Credit union cash balances can fluctuate substantially year over year. Credit unions continue to experience high levels of liquidity relative to historical average.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Deposits (in millions)



*In 2021, the excess liquidity deposits, commercial & retail deposits and capital market deposits are classified as liabilities associated with assets held for sale (see note 29 of the consolidated financial statements.)

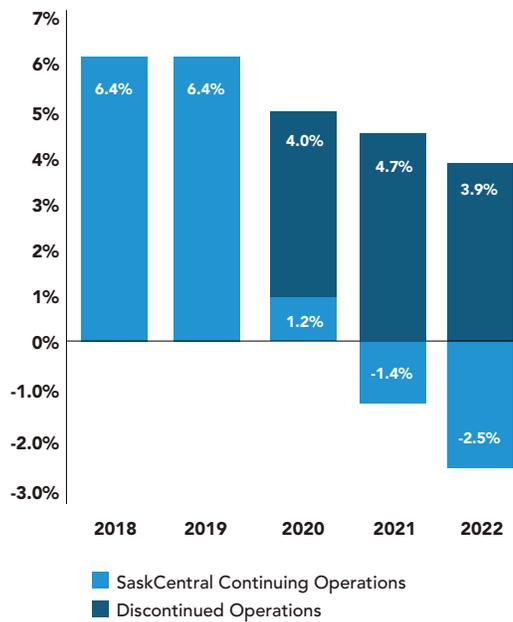
Liquidity

SaskCentral continued to hold a strong liquidity position in 2022. Cash and securities totalled \$3.2 billion, or 96.2% of assets (2021 – \$2.9 billion or 96.1%).

Return on Equity

Equity decreased by \$284.4 million from 2021. Modest earnings offset by dividends paid to credit unions resulted in a net decrease to retained earnings of \$285.7 million. Dividends of \$290.6 million were paid to credit unions relating to the divestiture of Concentra Bank. Credit unions subscribed to \$426 thousand (2021 - \$6.6 million) in membership share capital during the year. For 2022, SaskCentral's ROE was 1.4% (2021 – 3.3%).

Consolidated Return on Equity



LIQUIDITY MANAGEMENT

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

SaskCentral uses two metrics to monitor liquidity risk: the SaskCentral stand-alone Liquidity Coverage Ratio (LCR) and CUDGC's LCR. The stand-alone LCR is modeled after the *Standards of Sound Business Practice – Liquidity Adequacy Requirements (SSBP-LAR)* published by CUDGC. This guideline does not apply to SaskCentral; however,

MANAGEMENT DISCUSSION AND ANALYSIS

SaskCentral has incorporated the LAR principles in the LCR. CUDGC's LCR is based on the balance sheet of all Saskatchewan credit unions and includes their statutory liquidity deposit investments. All measures are used to assess SaskCentral's liquidity position, and all policy requirements have been met in 2022. Refer to note 4 of the consolidated financial statements for further information.

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

CAPITAL MANAGEMENT

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

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

SaskCentral actively manages capital to ensure long-term financial stability, support liquidity functions, and maintain an investment-grade credit rating. Capital plans analyze the

different strategies that are available to SaskCentral to optimize capital. Specifically, the purpose of capital planning is to ensure SaskCentral has adequate capital to meet regulatory and operational requirements; provide flexibility for changes in business plans; and signal financial strength to stakeholders.

REGULATORY CAPITAL AND CAPITAL RATIOS

Capital levels are regulated pursuant to guidelines issued by CUDGC. Regulatory capital is allocated to two tiers. Tier 1 capital comprises the highest quality capital and is a core measure of SaskCentral's financial strength. It consists of more permanent components of capital, is free of mandatory fixed charges against earnings and has a subordinate legal 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 of the consolidated financial statements. Regulatory capital is adjusted for investments in unconsolidated subsidiaries. The investments in Concentra Bank and CUC Wealth (net of accumulated other comprehensive income) are deducted from SaskCentral's capital. This allows CUDGC to monitor the capital strength of SaskCentral's stand-alone operations. Concentra Bank is a federally regulated financial institution – it reports separately to and is regulated directly by the Office of the Superintendent of Financial Institutions (OSFI).

Borrowing Multiple

Regulatory capital adequacy for SaskCentral 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The *Financial Management Policy* establishes an internal limit of 17.0:1, at which point SaskCentral's Board of Directors must take mitigating action to make certain the borrowing multiple does not exceed CUDGC's limit. The *Financial Management Policy* also establishes a management limit of 16.0:1, at which point management will outline actions to the Board to assuage the situation. Given the strategic initiatives underway with the enterprise strategy throughout 2022, a temporary increase was approved so that both the Board and

management limit were set at 18.5:1 until the end of 2022. As of December 31, 2022, the borrowing multiple was 10.0:1 (2021– 15.5:1).

Effective January 1, 2023, new borrowing multiple limits were approved with the Board limit set at 18.0:1, and the management limit at 17.0:1, reflecting the greater forecastability of SaskCentral's capital requirements in the wake of the 2022 dispositions.

Regulatory Capital and Ratios

	2022	2021
Tier 1 Capital	310,541	593,373
Total Borrowing Multiple Capital	269,819	170,162
Total Borrowings	2,694,496	2,638,190
Actual Borrowing Multiple	10.0:1	15.5:1
SaskCentral Policy Limit ³	18.5:1	17.0:1
Tier 1 Regulatory Capital		
Membership shares	175,688	175,262
Retained earnings	136,637	422,379
Own credit risk ¹	2,087	(397)
IFRS related reclassification ²	(3,871)	(3,871)
Total Tier 1 Capital	310,541	593,373
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	314,412	597,244
Deduct:		
Investments in unconsolidated subsidiaries	32,049	426,896
Assets of little or no realizable value	12,544	186
Total Tier 1 and Tier 2 Capital	269,819	170,162

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.

³ Temporary limit until December 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Management

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

SaskCentral's bylaws require member credit unions to maintain mandatory membership share capital equal to a percentage of their previous year's assets, as determined by the Board. The percentage shall not be less than 0.01% and not more than 1.0%. The mandatory membership share capital level in 2022 was set at 0.64% of 2021 year ending assets (2021 – 0.64%). This resulted in credit unions subscribing to \$426 thousand of additional membership share capital (2021 - \$6.6 million).

SaskCentral remains well capitalized and able to support Saskatchewan credit unions. Based on the borrowing multiple at the end of 2022, SaskCentral would be able to withstand additional capital shocks of \$120.1 million before reaching the new Board policy limit of 18.0:1.

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 Celero Solutions, PPJV, CUC Wealth, The Co-operators, and Canadian Credit Union Association (CCUA).

Excess capital that is not required to manage risk and comply with regulatory requirements is returned to credit unions either through a dividend, or through the repatriation of membership share capital.

Future Capital Environment

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

ENTERPRISE RISK MANAGEMENT

SaskCentral's Enterprise Risk Management (ERM) framework aligns with the ERM framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The ERM framework is approved by the Board and implemented by the ERM function, led by the Chief Risk Officer (CRO). The framework describes the principles, governance structures, roles and responsibilities and key concepts that SaskCentral uses to guide its assessment of risks within the organization, and 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 key risks and emerging risks are reviewed, challenged, and approved by the SaskCentral Audit and Risk Committee of the Board quarterly.

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.

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 and an appointed Chief Compliance Officer / Chief Anti-Money Laundering Officer, who oversees and is 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The Internal Capital Adequacy Assessment Process (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 maintains a comprehensive Continuity Management Program to direct the effective management of any major business continuity disruption.

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 timely 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), PPJV, the Group Clearer Joint Venture and CUA. The plan is tested at least annually through tabletop or full mock exercises.

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

As a Provincially Systemically Important Financial Institution, SaskCentral maintains 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.

2023 OUTLOOK

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

Credit unions continue to operate in and respond to a rapidly changing environment driven by technological advancements, economic and competitive pressures, and changing consumer behavior and preferences.

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.

In addition, the payments landscape is changing. Payments Canada is working to modernize Canada's payment systems. A modern payments infrastructure designed for the digital world will introduce new opportunities to simplify and enhance everyday payment interactions. This highly evolving environment directly drives SaskCentral's strategy and continued transformation.

In 2021, SaskCentral embarked on a multi-year enterprise-wide strategy, Enterprise Strategy 2024. This includes sequential annual milestones and accompanying business strategies to achieve our 2024 Vision where we become, "A trusted and effective partner that Saskatchewan credit unions count on to enable liquidity management services and access to payment ecosystems, by 2024."

In 2021 and 2022, we made significant progress to transform into an efficient and innovative entity focused on providing the critical infrastructure services of statutory liquidity and credit facilities, as well as payments clearing and settlement.

MANAGEMENT DISCUSSION AND ANALYSIS

SaskCentral's mission in 2023 is: "Elevate. We will elevate our operations through refreshed governance, lean processes, exceptional execution and innovative leadership".

As we complete our Enterprise Strategy 2024 mission 3 priorities, we will also define our 2024-2026 strategy, clearly articulating our future state business model and anchoring our future business plans and goals to that strategy.

Our strategy focuses on five key areas.

Statutory Liquidity Management

Statutory liquidity management is a core service and part of SaskCentral's future state. We need to deliver this service in a way that best meets member credit union changing needs. This means having greater flexibility to accommodate their business models, further strengthening safety and stability in the system, and taking advantage of the opportunities provided by Payments Canada's Modernization initiative. In 2023, this includes completing the transition to a lower statutory liquidity requirement and working with CUDGC to develop the framework for credit unions to manage at least a portion of statutory liquidity directly.

Payments, Clearing & Settlement

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

Strategic Investments

SaskCentral holds investments on behalf of Saskatchewan credit unions and must make appropriate decisions about those investments. This includes determining strategies for investments that directly support SaskCentral's core wholesale service delivery functions. Priorities in 2023 include assessing the future ownership of Celero Solutions and Everlink and completing a successful sale of the SaskCentral building, which is a non-core asset.

Governance

SaskCentral will revise its governance framework to align to the target organization upon completion of Enterprise Strategy 2024. In 2023, SaskCentral will seek membership approval for the bylaw changes required to achieve the desired governance model.

People & Culture

In 2024, SaskCentral will have a high performing and innovative workforce with empowered leaders equipped with the right mix of knowledge, skills, leadership and execution behaviours to enable excellence in delivery of our core services. To achieve this vision, SaskCentral embarked on a multi-year journey to evolve its culture, leadership, competencies and reinforcing structures. Priorities for 2023 include defining the 2024 organizational design; implementing an inclusion, diversity, equity and accessibility strategy; and updating structures, programs and policies as needed to align to our future state business model.

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.

Subsequent Event

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

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 Internal Audit, which 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 its approval of the consolidated financial statements for publication.

Credit Union Deposit Guarantee Corporation (CUDGC) 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.



Stephen Fitzpatrick
Chief Executive Officer



Cheryl Maksymiw
Interim Chief Financial Officer / Chief Risk Officer
April 19, 2023

AUDIT AND RISK COMMITTEE REPORT TO THE MEMBERS

To the Members of Credit Union Central of Saskatchewan

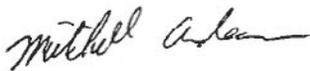
The purpose of the Audit and Risk Committee is to ensure an independent review of SaskCentral's financial operation in areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to sound financial practices.

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 Internal 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) requirements. Also, management letter recommendations received from CUDGC are reviewed by the Audit and Risk Committee.



Mitchell Anderson

Chair, Audit and Risk Committee

April 19, 2023



SaskCentral's head office is located in Regina, on Treaty 4 land and within the traditional territory of the Métis.

Saskatchewan credit unions serve members and communities associated with Treaties 2, 4, 5, 6, 8 and 10. This includes the traditional lands of the Nêhiyawak (Plains Cree), Nahkawininiwak (Saulteaux), Nakota (Assiniboine), Dakota and Lakota (Sioux), and Denesuline (Dene/Chipewyan).

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