

Working toward clear, verifiable objectives is a key part of SaskCentral's planning and evaluation process. SaskCentral's business plan identifies strategic objectives, measures and targets for each of four strategic focus areas: Strategic, Credit Union, Financial and People. Where applicable, SaskCentral implements specific initiatives under these focus areas. The following reflects initiatives that contribute towards achievement of the strategic objectives within each focus area.



Strategy

Strategic

Demonstrate leadership in delivering transformational change nationally to position credit unions for success.

Objective: Address evolving developments to clearing and settlement structures

In 2017, SaskCentral supported several clearing and settlement workstreams: Payments Canada Modernization; Bank of Canada Emergency Lending Assistance (ELA); restructure of the balance sheet; group clearing enhancements; and transition from federal to provincial regulatory oversight.

The payments landscape is changing and so are the needs of Canadians. Payments Canada is working to modernize Canada's payment systems. The Modernization roadmap includes five pillars: build a new core clearing and settlement system; establish real-time capability; enhance automated funds transfer; align with global regulatory standards; and modernize the rules framework. The entire roadmap is expected to take through 2021 and beyond to implement. SaskCentral is working with our strategic partners to support this initiative.

The ELA is a collateralized loan from the Bank of Canada to an eligible financial institution experiencing an idiosyncratic liquidity shock. It is a last resort liquidity support mechanism to return the financial institution to long-term viability or facilitate its orderly liquidation. SaskCentral has engaged with the Credit Union Deposit Guarantee Corporation (CUDGC) to support a project with the Bank of Canada to formalize an ELA.

In 2017, SaskCentral initiated a project to restructure the balance sheet so that Statutory Liquidity Deposits are better aligned to the liquidity requirements of credit unions and

Payments Canada. As a part of this project, SaskCentral is optimizing its risk/return profile within risk appetite and risk tolerance limits. All provincial centrals worked together to enhance risk management associated with group clearing, improve the liquidity monitoring framework and develop a risk-based collateralization model.

On January 15, 2017, regulatory oversight transitioned from the federal regulatory regime. *The Credit Union Central of Saskatchewan Act, 2016* appoints CUDGC as the supervisor of SaskCentral, and assigns responsibility for oversight of CUDGC to the Financial and Consumer Affairs Authority's Registrar of Credit Unions. During 2017, SaskCentral supported the transition to provincial oversight.

Objective: CCUA integration

Integration of SaskCentral's trade association services into the Canadian Credit Union Association (CCUA) ensures our credit unions are able to leverage the collective national voice and expertise, avoid duplication of services, and access a broader scope of products and services while retaining a presence in Saskatchewan.

In 2017, we successfully transitioned Government Relations, Compliance and Member Experience functions to the CCUA, finalized a support services agreement, and began discussions on transitioning other potential services. In 2017, credit union feedback confirmed the quality of service from those areas that transitioned remained high.

Objective: Support strategic investee's alignment to the national mandate

On January 1, 2017, Concentra Financial ceased operations as an association governed by the *Cooperative Credit Associations Act (Canada)* and continued as Concentra Bank, a

Strategy

Schedule 1 chartered bank governed by the *Bank Act (Canada)*. Concentra is now well positioned to provide wholesale financing, capital markets and trust services to credit unions across Canada.

Concentra's continuance had significant governance, accounting and capital implications for SaskCentral. From a governance perspective, the Concentra board was restructured and SaskCentral appointed four directors. From an accounting perspective, SaskCentral now has the ability to control Concentra for accounting purposes, which means that SaskCentral must consolidate Concentra as a subsidiary in the financial statements. Further information on the consolidation can be found in Note 33 of the Consolidated Financial Statements.

On December 12, 2017, the intent to merge Credential Financial Inc., Northwest & Ethical Investments, and Qtrade Canada Inc. into a single entity called Aviso Wealth was announced. This integrates wealth management functions across Canada, simplifying governance and decision making and eliminating duplication. The merger is scheduled to close on March 31, 2018.

Objective: National Wholesale Financial Services Provider (WholeCo)

In early 2017, discussions were initiated with Central 1 and Concentra Bank on the concept of a national wholesale financial services provider. However, conversations were deferred when other projects took priority. With the appointment of Don Coulter, President and CEO of Concentra Bank in March 2018, SaskCentral will re-engage in these discussions with Concentra Bank and other potential partners.

Credit Union

Facilitate wholesale product and service expertise to support credit unions nationally.

Objective: CU Solutions Partnership with Central 1

In 2017, work was done on the development of a national fee for service delivery model with Central 1. Due to a shift in Central 1 priorities, Central 1 has decided a formal partnership with SaskCentral will not be pursued. SaskCentral remains committed in 2018 to advancing the work on a fee for service delivery model to serve credit unions on a national basis.

The dissolution of the CEAMS (Credit Union Electronic Account Management Services) organization took place in 2017 with services assumed by SaskCentral, National Consulting, on January 1, 2018.

Financial

Maintain a position of financial strength to enable the achievement of our strategic objectives.

Objective: Financial strength

Financial strength is achieved through maintaining interest margin and core earnings in a rapidly evolving regulatory environment. SaskCentral continues to efficiently manage the balance sheet.

Core Earnings

Core earnings target was \$3.0-\$4.0 million.
Actual for 2017 was \$5.3 million.

Interest Margin

Interest margin target was 0.45%-0.52%. Actual for 2017 was 0.49%.

Operating Expenses

Operating expenses target was \$20.1-\$19.3 million. Actual for 2017 was \$17.7 million.

Strategy

People

Maintain an engaged workforce with the competencies required to facilitate the achievement of our strategic direction.

Objective: Engaged employees and a constructive culture

SaskCentral undertook a number of proactive human resource activities such as workforce planning to support the structural changes required to achieve its long-term national strategic objectives.

The delivery of a customized change and career management program to all management and employees that was initiated in 2016 was completed in 2017. The program provides foundational change support tools and information, addresses how individuals can best prepare personally for change, and supports SaskCentral through change using career management.

In 2017, the SaskCentral Human Resources department was granted the Team of the Year Award by the Chartered Professionals in Human Resources Saskatchewan, recognizing its work to drive the performance and reputation of the company, support organization-wide change, and serve as trusted advisors on organizational strategy.



In 2017, SaskCentral was again named as one of the Best Workplaces in Canada by the Great Place to Work® Institute Canada, coming in with an overall ranking of #13 for medium-sized businesses, up from #23 in 2016. At the same time, the company was also recognized as one of Canada's top 3 Best Places to Work for Women, one of The Best Workplaces for Celebrating Success, one of The Best Workplaces for Learning and Development and one of The Best Workplaces In Financial Services and Insurance.

The annual Organizational Effectiveness Inventory (OEI) survey measuring employee engagement was completed by 89% of employees and resulted in an overall score of 85.2%. In 2017, we also completed the bi-annual Organizational Culture Inventory (OCI), which resulted in an overall culture score of 85.5%.