

Corporate 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 also maintains business relationships with, and investments in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank (formerly Concentra Financial), CUPS Payment Services (CUPS), Celero Solutions and CUVentures LP.



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Liquidity Management

SaskCentral manages system-wide liquidity on behalf of Saskatchewan credit unions directly and through investees. Through aggregating statutory liquidity deposits, SaskCentral facilitates clearing and settlement, supports daily cash flow management and coordinates emergency liquidity support.

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. SaskCentral maximizes deposit rates for credit unions by seeking the best returns on investments backing deposits. This is achieved through accessing wholesale institutional markets and avoiding brokerage fees.

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. CUPS 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 which acts as the Group Clearer. Central 1 is the Group Clearer. A Group Clearing Joint Venture oversees the functioning of the Group Clearer and consists of representatives from Central 1, Alberta Central, SaskCentral and Credit Union Central of Manitoba. Through the Joint Venture, credit unions access the Large Value Transfer System for electronic payments and the Automated Clearing and Settlement System for paper based 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, alternate funding sources 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. SaskCentral's commercial paper program is supported by SaskCentral's investment grade rating of R1-low with DBRS.

SaskCentral funds these products and services by using three 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. Finally, SaskCentral has a line of credit with a major Canadian bank.

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Emergency Liquidity Support

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

Emergency funding is both sufficient and available. Sufficiency is demonstrated through stress testing whereby potential credit union outflows are evaluated against funding sources. In normal times, funding sources include repurchase agreements, the commercial paper program and a secured 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 risk. 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, the ability to sell residential mortgages and commercial loans to

other credit unions through Concentra Bank's syndication program, and Concentra Bank 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 forecasts and fulfills the business advisory service needs of Saskatchewan credit unions and other co-operatives. In doing so, it provides access to a team of highly specialized consultants who support the ability of Saskatchewan credit unions to succeed in their markets.

Strategic Solutions

Strategic Solutions covers a wide range of consulting options to assist credit unions in areas such as enterprise risk management, governance and strategic planning.

Operational Solutions

Operational Solutions gives credit unions the means to improve the effectiveness and efficiency of their business procedures. Examples include management support services, lending and deposit training and operational support, fraud management, anti-money laundering compliance officer support and cash and armoured car services.

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Assurance Services

These services support credit unions in aligning their business operations with legislated requirements and guidelines. Example services in this category are internal audit and regulatory compliance support.

Collaborative Solutions

With the assumption of CEAMS (Credit Union Electronic Account Management Services) Association functions into National Consulting effective January 1, 2018, a team of resources provides management oversight and consulting in the areas of DNA banking and related services, digital banking, card services and procurement and collaborative services. Through the oversight role, management works with credit unions to enhance services and position credit unions to offer new and innovative services.

Member Relations

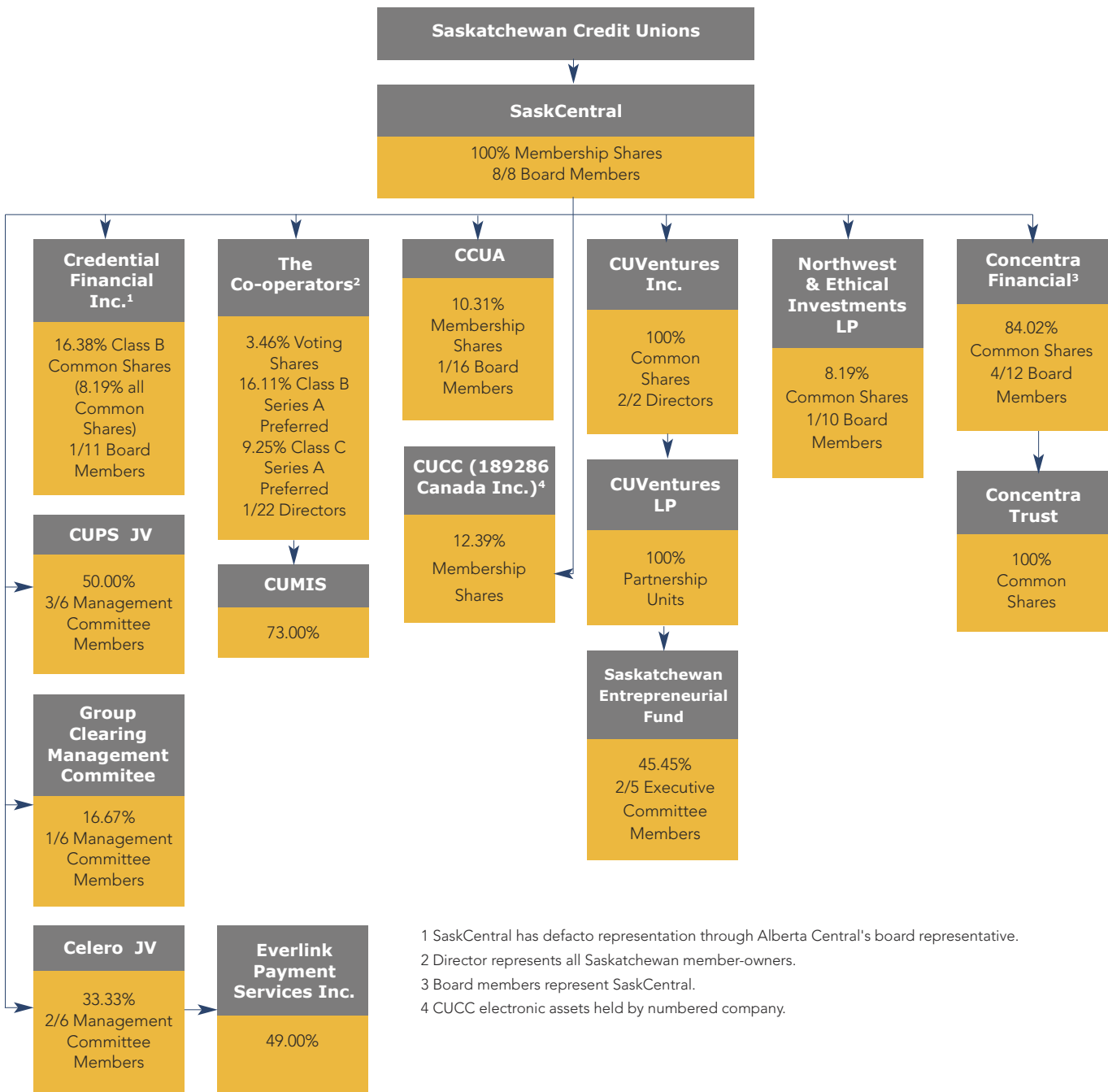
Member Relations acts as the primary point of contact through which credit unions can address strategic and operational topics related to SaskCentral and its investee organizations. Through this contact, the team gathers information on the ongoing needs, interests, challenges and future strategies of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



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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.



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Concentra Bank

Share ownership by SaskCentral: 84.0%

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 Schedule 1 chartered bank governed by the *Bank Act (Canada)*.

Concentra Bank is the wholesale bank and trust company for Canada's credit unions, and Canada's only Schedule 1 chartered bank focused on providing financial services to Canada's credit union system. Concentra partners with credit unions to ensure their 5 million plus members across Canada can choose competitive financial services from their local credit union.

Concentra's suite of business solutions specialize in asset management, treasury needs and trust solutions, focusing on providing credit unions with effective strategies to improve financial performance, manage risk, and grow relationships with their members.

Concentra is owned exclusively by its credit union partners. With deep roots in the co-operative system, Concentra is built on shared values and its commitment to success through serving credit unions from coast to coast.

Credit Union Payment Services (CUPS)

Joint venture participation by SaskCentral: 50.0%

CUPS is a joint venture of SaskCentral and Alberta Central. It provides payment services and related products to credit unions, corporate clients and others in the financial services industry.

Celero Solutions

Share ownership by SaskCentral: 33.3%

Celero Solutions is a joint venture between Alberta Central, Manitoba Central and SaskCentral. Celero delivers reliable, innovative and cost-effective information technology solutions to the joint venture partners, credit unions and other organizations in the areas of switching, telecommunications and banking. Celero owns 49% of Everlink Payment Services Inc.

Group Clearing Joint Venture

Joint venture participation by SaskCentral: 16.7%

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

Canadian Credit Union Association (CCUA)

Share ownership by Saskatchewan Credit Unions (Class A): 17%
Share ownership by SaskCentral (Class B): 10.3%

CCUA is the national trade association for the Canadian credit union system. It represents Canada's credit unions, caisses populaires outside Quebec and provincial credit union central organizations. CCUA is the first national credit union governed organization in Canada and works on behalf of its members in four key areas: advocacy and government relations; national regulatory and network compliance; professional development and education; and national awareness building.

SaskCentral integrated its employees into CCUA, ensuring credit unions can 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.

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189286 Canada Inc. (formerly known as CUCC)

Share ownership by SaskCentral: 12.4%

On January 1, 2016, all assets and liabilities of Credit Union Central of Canada (CUCC) were transferred to CCUA except those related to payments and specific activities in Interac. These were retained by the numbered company.

Credential Financial Inc.

Share ownership by SaskCentral: 8.2%

Credential Financial Inc. is the national wealth management provider founded by the Canadian credit union system. The company offers credit unions and independent investment firms an integrated range of products and services to meet the financial needs of Canadians. Credential Financial Inc. also provides its partners with a full complement of back-office administration and in-branch support.

Northwest & Ethical Investments LP (NEI)

Share ownership by SaskCentral: 8.2%

NEI is a mutual fund company that makes independent portfolio managers accessible to Canadian retail investors through three fund families: NEI Funds, Northwest Funds and Ethical Funds. NEI is a fully Canadian-owned company, owned 50% by Desjardins Group and 50% by the provincial credit union centrals. This backing of experience and support provides the company with stability and the resources to actively pursue business growth through credit unions and independent financial advisors across Canada.

Aviso Wealth

On December 12, 2017, the intent to merge Credential Financial Inc., NEI, and Qtrade Canada Inc. into a single entity called Aviso Wealth was announced. This vertically-

integrated wealth management platform will be jointly owned 50/50 by a holding company CU CUMIS Wealth Holdings LP and Desjardins Group. The holding company will be comprised of the five Centrals across Canada, on behalf of the credit unions, and The CUMIS Group Limited. The merger is scheduled to close on March 31, 2018.

The Co-operators Group Limited

Share ownership by SaskCentral: 3.5%

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

Along with Central 1, The Co-operators holds joint ownership of CUMIS. CUMIS partners with credit unions to deliver competitive insurance and financial solutions. CUMIS' principal companies are CUMIS Life Insurance Company and CUMIS General Insurance.

CUVentures Inc.

Share ownership by SaskCentral: 100%

CUVentures Inc. invests in the Saskatchewan Entrepreneurial Fund Joint Venture which provides direct investments in small and medium sized enterprises throughout Saskatchewan.

Business Models

Business models of SaskCentral and investees fall on a spectrum from 'low profit' to 'for profit'.

'Low profit' models recognize that profits come from credit unions in the form of lower deposit rates, higher assessments or higher fees. So

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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 'low profit' 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 on management committees for CUPS and Celero. In addition, SaskCentral's CEO sits on CUPS and Celero management committees as a representative for SaskCentral, and SaskCentral's executive are engaged with Concentra through regular meetings and participation in joint working groups. This provides opportunities to engage strategic investees where system-wide concerns are identified (e.g. service, profitability).

SaskCentral provides updates to the board on investee's financial and non-financial measures through the quarterly Strategic Investment Management (SIM) Portfolio Report. Occasionally, investees present to the SaskCentral board at quarterly board meetings.

How Investee Earnings Are Distributed to Credit Unions

CUPS – Net earnings are settled with SaskCentral in February following year-end. CUPS 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. Preferred Class C Series A shares pay 3.0% and are received semi-annually. The member loyalty payment is received annually and can fluctuate significantly, based on the earnings of Co-operators.

CUVentures LP – CUVentures LP cash earnings are included in income available for distribution in SaskCentral's dividend.

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.

NEI – The Credit Union Centrals own partnership units on behalf of credit unions. Partnership distributions received from NEI are distributed to credit unions based on a formula determined by NEI. SaskCentral will report the distributions for tax purposes and will pass the distributions to credit unions as patronage dividends.

Credential Financial Inc. – SaskCentral has invested \$2 million in subordinated debt with Credential for the purpose of providing support for Credential's core business operations. Subordinated debt interest is included in income from core operations.

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

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Executive Team



Keith Nixon, CEO

- Joined SaskCentral: 1987
- Time in the credit union system: 37 years
- Fellows designation for the Credit Union Institute of Canada
- Certificate in Administration, University of Regina
- Board member: Canadian Credit Union Association; Sherwood Co-operative Association Limited



Debbie Lane, EVP and Chief People Officer

- Joined SaskCentral: 1992
- Certified Human Resource Professional (CHRP) designation
- Member: Saskatchewan Association of Human Resource Professionals (SAHRP)
- Member: Northwest & Ethical Investments LP (NEI) board; Credit Union National Benefits Board (chair); Children's Wish Foundation of Saskatchewan Advisory Board (chair)



Sheri Lucas, EVP Finance, CFO, CRO

- Joined SaskCentral: 2007
- CPA, CA: Office of the Provincial Auditor, Saskatchewan
- Past employers: Saskatchewan Wheat Pool; Crown Investments Corporation of Saskatchewan
- Award: 100 Most Powerful Women in Canada for 2012
- Board member: Canadian Cancer Society, Saskatchewan Division