SASKCENTRAL
Dedicated to Credit Union Success

GREAT PLACE TO WORK® Best Workplaces 2013 Canada

2013

ANNUAL REPORT

TABLE OF CONTENTS

1 Vision, Mission & Values
2 Letter from the President and the CEO
4 Corporate Governance
11 Consolidated Financial Highlights
12 Executive Team
13 Corporate Profile
15 Client Strategy
16 SaskCentral Initiatives
18 Co-operative Social Responsibility
21 Sponsorships Managed by SaskCentral
22 Government Relations
24 Strategic Partners
27 Management Discussion and Analysis
42 Management's Responsibility for Financial Reporting
43 Audit and Risk Committee Report to the Members
44 Independent Auditor's Report
46 Consolidated Balance Sheet
47 Consolidated Statement of Profit or Loss
48 Consolidated Statement of Comprehensive Income
49 Consolidated Statement of Changes in Equity
50 Consolidated Statement of Cash Flows
51 Notes to the Consolidated Financial Statements

OUR VISION
The ultimate destination of our company.

Enable credit unions to build lives and fulfill dreams.

OUR MISSION
How we plan to get there.

Help our partners thrive.

OUR VALUES
The standards and principles by which our brand lives.

- *Honest*
- *Trustworthy*
- *Co-operative*
- *Enterprising*

LONG-TERM POSITIONING

SaskCentral will work toward the achievement of a nationally unified and internationally capable co-operative financial network.

Dean Walde, Board President

Keith Nixon, CEO

We are pleased to present the SaskCentral 2013 Annual Report.

While 2013 was the first full year for the new CEO, the professionalism and experience of all our SaskCentral employees ensured a smooth transition and the successful completion of a great many of the tasks on our table at the beginning of the year.

Unquestionably, the most important issue of 2013 was the announced elimination by the federal government of the 40 year old additional tax deduction for credit unions. Of even greater concern is the potential ripple effect this would have should the Saskatchewan government follow suit. Intensive engagement with the federal and provincial governments was carried out by centrals and credit unions across Canada. In Saskatchewan this work was rewarded with the provincial government putting any change on hold for 2013. The advocacy campaign by SaskCentral, credit unions and delegates continues into 2014.

Financially for SaskCentral, the year was one of solid performance, with all budget targets met or exceeded. Results were also achieved in client-focus areas that are high priority items for credit unions, including capital, liquidity, pricing and dues. In the area of capital, the board decided in 2013 to make membership share rebalancing voluntary and to decrease the membership share threshold from 1% to 0.8%. The maximum dividend was distributed to credit unions based on SaskCentral 2012 operations. Additionally, the dividend from Concentra Financial was passed through to credit unions a quarter earlier than had been targeted.

Liquidity continues to be of critical concern to credit unions. Following a thorough review of the liquidity framework the previous year, new liquidity products and pricing were introduced and the series of explanatory webinars that had been begun in 2012 were concluded early in 2013.

In regard to pricing, SaskCentral responded to credit union requests by completing a thorough review of its methodology for pricing consulting products. We are confident the new tools developed from that review will ensure our products are consistently priced and competitive with similar products offered by third parties.

Parallel to this, SaskCentral's consulting products reached new milestones, winning strong client approval in Alberta, with discussions underway that would see an expansion of services offered across the Prairie provinces.

Dues funding also received attention, with several assessments being removed to bring final assessment in under budget.

Efficiency also came into sharper focus with the continued low interest rates impacting the entire financial services industry. Like credit unions, SaskCentral has found new ways to reduce duplication and create leaner operations. Significant effort was directed toward budgeting and business line reporting with the goal of reducing overhead and ensuring that product revenues are covering costs. While we were able to exceed our targets for 2013, the 2014 budget raises the bar, setting even more ambitious targets for core earnings.

We are proud of these accomplishments, we are also aware that credit unions provided a reminder via the annual quality measurement survey that other areas of service require attention. Specifically, response times to credit union requests need to be tightened. This has been incorporated into the 2014 business plan as a priority item.

During 2013, SaskCentral continued to pursue its long-term strategy aimed at adapting its business model so as to be better positioned to meet the future needs of a rapidly evolving credit union system. Our application for continuance as a federally-incorporated association is on hold while the substance of discussions with our regulator has shifted to Basel III and liquidity structures; however, alternative paths to creating greater cohesion within our national co-operative financial system are being pursued.

In 2013 these included a number of collaborative initiatives. SaskCentral participated in the Prairie Card Strategy, met with Atlantic and Manitoba centrals to discuss potential economies of scale, maintained joint ventures with Alberta Central, Manitoba Central, Central 1 Credit Union and Concentra Financial and hosted the Chairs and CEOs meeting of all Canadian centrals. SaskCentral also participated with other centrals and agricultural lenders across Canada to engage the federal government with the objective of creating a more equitable competitive environment with Farm Credit Canada (FCC). In conjunction with other centrals, SaskCentral also met with representatives of FCC to air credit union concerns and to examine the potential for collaboration between FCC and credit unions.

In all, 2013 continued the trend we have seen over the past few years where the business environment is characterized by rapidly changing technology, mounting regulatory requirements, intense competition, low interest rates and global uncertainty in financial markets. Faced with this, credit unions continue to adapt and grow. It has always been the responsibility of SaskCentral to keep pace with its credit unions and with their changing service needs and expectations. Increasingly, it is clear that this mandate can best be met through collective action within our co-operative financial system. With this in mind, maintaining clear lines of communication with credit unions, other centrals and partner organizations, and continued efforts to evolve our business model will remain key objectives under our long-term strategy for 2014 and beyond.

Dean Walde
Board President

Keith Nixon
CEO

From left to right: Mark Lane, Wayne Kabatoff, Gilles Colbert, Al Meyer, Dean Walde, Loretta Elford, Laverne Goodsman, Gordon Young, Gordon Lightfoot, Ken Sherwin, Scott Flavel, Pieter McNair, Myrna Bentley (not in photo).

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

Board of Directors

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

CORPORATE GOVERNANCE *CONTINUED…*

Dean Walde, *President*

Elected to SaskCentral Board of Directors in 2006. Agricultural producer. Director, Synergy Credit Union and Concentra Financial.

- Term expires: 2015
- Meetings attended: 12/12

Myrna Bentley

Elected to SaskCentral Board of Directors in 2013. Retired CEO, Concentra Financial. Director, Affinity Credit Union. Delegate, Saskatchewan Co-operative Association.

- Term expires: 2016
- Meetings attended: 7/10

Gilles Colbert

Elected to SaskCentral Board of Directors in 2009. Retired Manager, Unity Credit Union Limited. Director, Concentra Financial. Delegate, The Co-operators and Canadian Co-operative Association.

- Term expires: 2015
- Meetings attended: 12/12

Loretta Elford

Elected to SaskCentral Board of Directors in 2007. Retired Director of Education, Regina Public Schools. Director, Conexus Credit Union, Concentra Financial and Credit Union Central of Canada.

- Term expires: 2014
- Meetings attended: 12/12

Scott Flavel

Elected to SaskCentral Board of Directors in 2009. Agricultural producer. Director, Affinity Credit Union. Delegate, Canadian Co-operative Association.

- Term expires: 2015
- Meetings attended: 12/12

Laverne Goodsman

Elected to SaskCentral Board of Directors in 2013. Agricultural producer. Director, Conexus Credit Union.

- Term expires: 2016
- Meetings attended: 10/10

Wayne Kabatoff

Elected to SaskCentral Board of Directors in 2013. Director, Conexus Credit Union.

- Term expires: 2015
- Meetings attended: 8/8

Gordon Lightfoot

Elected to SaskCentral Board of Directors in 1996. Agricultural producer. Director, Innovation Credit Union and Concentra Financial.

- Term expires: 2016
- Meetings attended: 12/12

Mark Lane

Elected to SaskCentral Board of Directors in 2013. CEO, Affinity Credit Union.

- Term expires: 2014
- Meetings attended: 4/4

Pieter McNair

Elected to SaskCentral Board of Directors in 2012. Retired GM, Kelvington Credit Union. Delegate, Co-operative Superannuation Society and Saskatchewan Co-operative Association, Alternate Delegate, The Co-operators.

- Term expires: 2015
- Meetings attended: 12/12

Al Meyer

Elected to SaskCentral Board of Directors in 2007. CEO, Prairie Centre Credit Union. Director, Celero Solutions and Co-operative Superannuation Society.

- Term expires: 2014
- Meetings attended: 12/12

Ken Sherwin

Elected to SaskCentral Board of Directors in 2008. Retired school administrator, Yorkton School Division. President, Cornerstone Credit Union Board of Directors. Director, Saskatchewan Co-operative Association and Centre for the Study of Co-operatives. Delegate, Canadian Co-operative Association.

- Term expires: 2014
- Meetings attended: 12/12

Gordon Young

Elected to SaskCentral Board of Directors in 2007. Retired Secretary-Treasurer, Weyburn Public School Division. President, Radius Credit Union Board of Directors. Director, The Co-operators and Canadian Co-operative Association.

- Term expires: 2014
- Meetings attended: 10/12

Board Charter and Director Profile

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

Compensation

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

The chart below does not include benefits paid to Directors during the year.

Director	Per Diem[1]	Honorarium	Total
Myrna Bentley*	8,843	5,829	14,673
Don Blocka** (Chair, January – April)	8,287	9,250	17,537
Gilles Colbert	23,825	8,100	31,925
Loretta Elford	11,500	8,100	19,600
Scott Flavel	14,212	8,100	22,312
Ed Gebert**	1,520	2,700	4,220
Laverne Goodsman*	12,218	5,829	18,048
Wayne Kabatoff*	13,375	5,400	18,775
Mark Lane***	2,250	1,907	4,157
Gordon Lightfoot	13,500	8,100	21,600
Pieter McNair	17,512	8,100	25,612
Al Meyer	18,662	8,100	26,762
Ken Sherwin	20,312	8,100	28,412
Dean Walde (Chair, April – December)	31,893	26,020	57,914
Gordon Young	19,831	8,100	27,931
Total:	**$217,740**	**$121,735**	**$339,478**

[1]As a consequence of being on the SaskCentral board, SaskCentral directors may be nominated to serve as directors for a number of other co-operative organizations. To the extent that those other organizations do not provide compensation for board service, SaskCentral policy provides remuneration to its directors for time spent in these alternate duties.

*Became a director at the April 2013 Annual General Meeting

**Ceased being a director as of April 2013 Annual General Meeting

***Became a director in October 2013

Board Evaluation

Evaluations are periodically conducted to ensure board operations are efficient and adhere to the highest standards of integrity. The most recent board evaluation was facilitated via an on-line survey through GovernancePro in December 2013. The board maintains a director development policy aimed at providing resources to support ongoing personal development. Board development activities in 2013 focused on corporate governance and board accountability.

Code of Conduct

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

Whistle Blower Policy

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

CEO Position Description

The SaskCentral board maintains a written description of the position of the CEO, outlining the role, accountabilities and challenges of the position and providing a reference point for the development of the CEO's annual performance plan. A CEO performance plan is developed and evaluated based on the position description, business plan and balanced scorecard.

Committees

Executive Committee

Role:

- Demonstrates leadership on behalf of the board of directors while representing the business affairs of SaskCentral.
- Supports the board with director recruitment and succession, committee appointments and review of remuneration policies.

Members:

	Meetings Attended
Dean Walde, President	4/4
Gilles Colbert	2/2
Loretta Elford	4/4
Scott Flavel	4/4
Al Meyer	4/4

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, 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.

Members:

	Meetings Attended
Gilles Colbert (chair)	6/6
Scott Flavel	6/6
Wayne Kabatoff	2/3
Gordon Lightfoot	4/4
Al Meyer	5/6

Delegate Engagement Committee

Role:

- Encourages delegate participation in SaskCentral and credit union system policy debate, and assists in planning provincial delegate forums.
- Supports the submission of resolutions for presentation to delegates and monitors action on resolutions that have been passed by delegates.

Members:

	Meetings Attended
Laverne Goodsman	2/2
Pieter McNair	3/3
Ken Sherwin	3/3
Dean Walde	2/3

Public Policy Committee

Role:

- Identifies public policy, ensures credit union input around policy positions and recommends policy decisions to the SaskCentral Board of Directors.

Members:

	Meetings Attended
Myrna Bentley	4/4
Laverne Goodsman	3/4
Ken Sherwin	5/6
Dean Walde	4/4

Governance 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 and to support the delegate structure.
- 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.

Members:

	Meetings Attended
Pieter McNair	3/3
Scott Flavel	2/2
Dean Walde	2/2
Gordon Young	3/3

December 31 (in thousands)	IFRS 2013 $	IFRS 2012 $	IFRS 2011 $	IFRS 2010 $	Canadian GAAP 2010 $	Canadian GAAP 2009 $
Income from continuing operations						
Net interest income after loan impairment charges	**11,197**	10,540	9,927	11,461	69,885	64,400
Non-interest income	**55,260**	60,112	55,726	67,193	56,613	76,786
Non-interest expense	**34,396**	36,247	35,127	37,888	91,634	85,136
Income taxes and non-controlling interest	**6,001**	6,164	4,120	6,252	13,511	7,867
Net income from continuing operations	**26,060**	28,241	26,406	34,514	21,353	48,183
Income from discontinuing operations	**–**	–	807	(119)	1,642	2,792
Net income (loss)	**26,060**	28,241	27,213	34,395	22,995	50,975
Distribution of income						
Dividends	**8,160**	8,170	9,884	19,856	19,856	750
Distribution as a % of average share capital	**6.4%**	6.4%	7.8%	15.8%	15.8%	0.6%
Financial position – continuing operations						
Securities	**1,927,146**	1,889,865	1,846,740	1,667,340	2,494,155	2,529,448
Loans	**80,568**	58,927	94,277	28,995	2,626,519	2,673,759
Deposits	**1,766,974**	1,691,507	1,631,789	1,397,811	4,515,437	4,398,336
Members' equity	**360,563**	340,628	323,479	291,562	295,765	287,617
Financial position – discontinued operations						
Total assets	**–**	–	–	1,986	3,994	8,883

SaskCentral has prepared its December 31, 2013 financial statements in accordance with IFRS, with comparative information for December 31, 2012 also provided. For continuity purposes, the chart above provides 6 years of information, on an IFRS basis for 2013, 2012, 2011 and 2010 and based on Canadian GAAP for 2010 and 2009. A significant change between IFRS and Canadian GAAP resulted in deconsolidation of Concentra Financial, which explains the majority of the differences in assets, liabilities, revenue and expenses.

Keith Nixon, *CEO*

- Joined SaskCentral: 1987
- Time in the credit union system: 30 years
- *Fellows* designation from the Credit Union Institute of Canada
- Board member: Ignite Adult Learning Corporation Foundation
- Board member: Sherwood Co-operative Association Limited

Debbie Lane, *EVP, Market Solutions*

- Joined SaskCentral: 1992
- Certified Human Resource Professional (CHRP) designation
- Member: Saskatchewan Association of Human Resource Professionals (SAHRP)
- Member: Human Capital Media Exec Research Board
- Chair: Saskatchewan chapter advisory board for Children's Wish Foundation

Sheri Lucas, *CFO/EVP, Finance*

- Joined SaskCentral: 2007
- CA designation (articling): 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

SaskCentral develops a wide range of business and financial solutions and undertakes numerous activities for and on behalf of Saskatchewan credit unions. Its core strategies are those business functions that are critical and closely related to the organization's strategy, while its ancillary services are those activities that are responses to current and emerging opportunities and needs of credit unions.

Core Services

Liquidity Management

SaskCentral is the system statutory liquidity manager. Through aggregating statutory liquidity deposits, SaskCentral facilitates clearing and settlement, supports daily cash flow management and coordinates emergency liquidity support.

Trade Association

The primary role of SaskCentral's trade association function is to recognize where there is strength in collective action and to facilitate these opportunities. Overall objectives are to: provide leadership in joint initiatives and through strategic policy direction; undertake credit union advocacy; represent Saskatchewan credit unions with provincial and federal governments and within the Canadian credit union system; and assist credit unions in developing and leading system-wide initiatives in response to emerging trends and regulatory compliance requirements.

Trade association areas of focus include:

System Engagement

This encompasses SaskCentral's role in gathering credit union input on corporate and system initiatives. This is accomplished through activities such as credit union spring and fall business meetings.

System Governance

This includes activities to support the effective, transparent and democratic governance of credit unions, such as board training and coordination of delegate meetings.

Government Affairs

This area comprises the building of effective relationships with provincial and federal government regulators and relevant government departments. The objective of this role is to positively influence legislation and regulation by ensuring member credit unions' interests are known and clearly understood.

Compliance Support

Recognizing the cost and regulatory burden credit unions face in managing increasing compliance requirements, this function develops collective solutions in areas such as anti-money laundering, anti-terrorist financing and privacy.

Communications and Public Relations

Examples of the activities in this area include management of an extranet and public website, system sponsorships, and system media relations.

Research

This function provides analysis of economic, market and social trends to assist credit unions with strategic planning.

Ancillary Services

Strategic Investment Management

SaskCentral, on behalf of the Saskatchewan credit union system, holds ownership positions in entities that provide key services to credit unions. The oversight of investment in these partner organizations is a SaskCentral responsibility.

Ownership investment allows SaskCentral to provide competitive services and high quality support to Saskatchewan credit unions and contribute to the well-being of their members and communities. SaskCentral's investment in its partners also gives Saskatchewan credit unions a voice in partner decisions. [See Strategic Partners – pg. 24 for a complete listing.]

Non-Financial Products and 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.

Core non-financial products and services include:

Client Relations

Client 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. Though this contact, the team gathers information on the ongoing needs, interests, challenges and future strategies of credit unions, and then ensures that the information is channeled directly to SaskCentral management, executive and board, as well as into SaskCentral's partner companies.

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 give credit unions the means to improve the effectiveness and efficiency of their business procedures. Examples include fraud management, management support services, and lending and deposit support.

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.

Human Capital Solutions

This area encompasses a wide array of human capital solutions that support credit unions in identifying, recruiting and retaining qualified employees. Examples of services include change management, executive recruitment and mentorship and coaching programs.

Promotions Plus

This includes a broad product line of stationery, promotional items and materials to support credit union marketing and brand identity activities.

Listening and responding to the needs of its stakeholders is a key component of SaskCentral's client strategy.

Throughout 2013, work continued on activities focused on responding to high-priority concerns and requests directly identified by credit unions, as well as on activities specifically designed to increase SaskCentral's service effectiveness.

Competitive Pricing

This project was finalized during the year and had the objective of ensuring competitive pricing for the majority of consulting products provided to credit unions. It entailed a complete review of previous pricing methodologies for SaskCentral's consulting products, research into the competing products and services, and development of new tools and guidelines.

Back-Office Support

The objective of this project has been to facilitate the sourcing of back-office solutions to help credit unions reduce costs. In 2013, work continued around the anti-money laundering (AML) compliance service with a number of Saskatchewan credit unions engaging with SaskCentral to conduct on-site reviews. SaskCentral has also begun exploring the feasibility of providing additional basic and enhanced AML compliance support in Saskatchewan and other jurisdictions.

Statutory Liquidity

In 2013, SaskCentral completed the statutory liquidity framework review. This project evaluated the statutory liquidity framework to determine if the statutory liquidity requirement of 10% could be lowered and also whether the risk could be increased to improve returns to credit unions on their statutory liquidity deposits. An underpinning goal is the efficient use of liquidity throughout the system. The project clarified that through the aggregation of statutory liquidity deposits, SaskCentral facilitates clearing and settlement, supports daily cash flow management and coordinates emergency liquidity support. This has resulted in three conclusions. First, SaskCentral's product offering was expanded to include a four year deposit and a five year deposit. This provides more flexibility to credit unions in choosing investments that match their yield and term requirements. Credit unions may invest up to 35% in the longer term products and limiting the amount invested in longer term products manages SaskCentral's liquidity risk. Second, SaskCentral adopted a new pricing approach that flows the investment returns directly through to credit unions less a nominal margin. Interest rates have increased in 2013 and credit unions have benefited from higher returns on SaskCentral's deposits. Finally, SaskCentral has concluded that the statutory limit of 10% is appropriate. The 10% limit was evaluated in conjunction with regulatory developments and SaskCentral has concluded that 10% most appropriately balances liquidity risk and return. Analysis indicated that lowering the statutory liquidity limit below 10% would increase liquidity required to be held at individual credit unions, resulting in an inefficient deployment of liquidity in the system and increased brokerage fees paid by credit unions.

Client Information Management

Client information management was an operationally focused project finalized in 2013. Its objective was to provide simple-to-use and timely information on Saskatchewan credit unions that is accessible to all SaskCentral employees. This adds value to the roles of SaskCentral employees and creates greater efficiency in the delivery of service. The information system put in place forms one part of SaskCentral's ongoing commitment to increase responsiveness to credit union needs.

Working toward clear objectives is a key part of SaskCentral's planning and evaluation process. Each year, SaskCentral's business plan describes specific targets, as measured by a variety of evaluation tools, to be achieved within four focus areas: Client, Financial, Internal Business Processes and People. Where applicable, specific initiatives that are beyond normal day-to-day operations are carried out under these focus areas. All financial results and supporting information are contained within the annual report sections: Management Discussion and Analysis; Consolidated Financial Statements; and Notes to the Consolidated Financial Statements.

Client

The Client area is focused on SaskCentral initiatives that assist Saskatchewan credit unions in achieving their own success and business goals.

Partner Engagement

Partner engagement was the key initiative within the Client focus area. It is a recognition of the growing relevance and importance of seeking partnerships within our Canadian co-operative system and acting in a coordinated manner to build capacity, address challenges of common concern and enable SaskCentral to realize its long-term strategy.

During the year, SaskCentral looked to advance its long term strategy and to foster closer ties and collaborative action with other co-operatives via a number of paths. These included discussions with other centrals to identify opportunities for economies of scale; participation in the FCC Liaison Committee; and ongoing support for Canadian Central's enhancement of its trade association role.

2013 Results

Quality Measurement Survey – measures credit union satisfaction across a range of SaskCentral activities and services.

- Target: 83-85%
- Result: 84%

Net Promoter Score: Measures the willingness of clients to recommend your services to others.

- Target: Baseline
- Result: 81%

Market Share

- Target: 47-50%
- Result: 51%

Internal Business Processes

As the name implies, Internal Business Processes are activities focused on maintaining the efficiency and effectiveness of SaskCentral's operations.

Continuance

The intent for 2013 was to finalize SaskCentral's application for continuance as a federal association. The application has been put on hold pending the outcome of an OSFI review of the role of the centrals and current and future federal/provincial responsibilities in regard to credit unions.

2013 Results

Core Earnings

- Target: $3.49 million
- Result: $5.75 million

Internal Client Satisfaction

- Target 85-88%
- Result: 86%

Responsiveness to Client Needs

- Target: 79-83%
- Result: 71%

People

The People area focuses on maintaining an engaged workforce with the competencies needed to enable SaskCentral to achieve its strategic objectives.

Align SaskCentral's Human Resource Strategy with the Client Strategy

Employees saw a significant change in the structure of their 2013 performance plans, strengthening the connections between personal behaviours, SaskCentral strategy, rewards and the success of outcomes in regard to the quality of client service. Workplace planning was also undertaken to ensure SaskCentral will have the skill sets required in the future to meet the expected needs of its credit unions.

Culture Enables the Strategy

- Target: 83-85%
- Result: 82%

Employees Equipped to Succeed

- Target: 79-83%
- Result: 76%

Employee Engagement

- Target: 83-85%
- Result: 82%

CSR used to stand for Corporate Social Responsibility. For most organizations, it still does. But being a co-operative is the critical distinction for SaskCentral, especially when we're talking about actions that connect to the core co-operative values we follow. That's why we changed the name to Co-operative Social Responsibility.

Whatever we call it, it still means our organization is committed to social responsibility. We continue to believe that social, environmental and economic concerns should be part of our values, culture, decision making, strategy and operations in a transparent and accountable manner. And above all, we believe it is important to involve our stakeholders in decision-making processes and activities.

In 2013 SaskCentral approved a new three-year CSR strategy. The 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. The strategy focuses on:

- Providing value for our key stakeholders while maintaining costs.
- Reinforcing that CSR is part of our co-operative principles.
- Reporting our CSR progress in a transparent and comprehensive manner.

Annual targets are established and activities are set to achieve those targets.

2013 CSR Targets and Results

Society

Imagine Canada Caring Company Program

Imagine Caring Company Une entreprise généreuse

This is Canada's leading corporate citizenship initiative. Caring Company membership assures customers, employees, shareholders and the public that a business is committed to investing in communities. SaskCentral is one of over 100 Canadian businesses that are members of the Caring Company program.

Target	Achieved
Donation of 1% pre-tax profits to charitable and non-profit organizations.	A 1.4% donation level for 2013, including financial contributions, volunteer hours and in-kind donations.

Volunteerism

In 2013 SaskCentral issued four grants through its volunteer grant program. Employees that volunteer a minimum of 40 hours with a charity or non-profit organization can request that a $250 grant be given to that organization on their behalf. The following organizations received a grant: Regina Community Clinic, Regina Diving Club, Dysart Community Rink and Children's Wish Foundation.

Target	Achieved
Achieve 40% of employees volunteering in the community and using 25% of the available volunteer hours. (SaskCentral allows employees to use up to 22.5 hours per year of work time to volunteer.)	59% of employees volunteered and used 25% (521 hours) of the available hours.

Environment

BOMA BESt – Building Certification

BOMA BESt is the Canadian industry standard for commercial building sustainability certification, which is based on the internationally recognized and accepted Green Globes™ environmental assessment platform.

Target	Achieved
Address opportunities for improvement identified during the BOMA BESt application process so that we can maintain or increase our building certification level when we recertify in 2014.	In 2013 we made the following building improvements: • A temperature activated timer system was added to outdoor parking stalls. The system saves energy by activating parking plug ins at a set temperature and employing on/off time limits. • Continued to install automatic flush valves in washrooms to reduce water consumption. • Continued to replace incandescent bulbs with LED to reduce electrical consumption. The improvements resulted in a reduction of water consumption by 21.4% and power by 5.1%.

Paper Consumption

Target	Achieved
Reduce new paper consumption by 5% based on the 2012 benchmark.	Achieved an 18% reduction in new paper consumption. We continue to use paper with a minimum of 30% recycled content.

Greenhouse Gas Emissions

Target	Achieved
Survey employees to get their feedback on a) CSR initiatives implemented in 2012; b) new CSR initiatives that we should consider; and c) work-related travel practices (to see if there has been a change from the 2011 benchmark).	Employees feedback from the survey was used in the development of the new three-year CSR strategy.

SaskCentral continued its partnership with www.carpool.ca, a website that allows employees to find a carpool match and keep track of their mileage and GHG emissions.

Economy

Support Local Co-operatives

Target	Achieved
Explore a one to three year partnership with one or two local co-operatives to assist with their development.	A financial contribution was made to the Ubuntu Co-operative, an organization which assists recent immigrants from Uganda to integrate into Saskatchewan.

It all adds up.

SaskCentral conducts CSR activities under its own It All Adds Up logo, keeping front and centre the idea that even small initiatives can have a positive impact.

Each Saskatchewan credit union is an independent financial co-operative that supports important community events and initiatives through its local community relations program.

In 2012[1] Saskatchewan credit unions contributed more than $6 million to growing communities. Fundraising efforts brought in more than $500,000 for causes like the Children's Hospital Foundation of Saskatchewan, Red Cross Disaster Relief, Terry Fox Run and Telemiracle, and credit union employees logged nearly 30,000 hours of volunteer time for community organizations.

SaskCentral, as the trade association for Saskatchewan credit unions, manages a number of sponsorships that credit unions support collectively. The approach to these local and provincial sponsorships reflects a commitment to helping Saskatchewan communities thrive in ways that make a genuine contribution to building lives and fulfilling dreams.

Sponsorships in 2013 included:

Arts and Culture

- Art Gallery of Regina
- Do It With Class Theatre
- Globe Theatre

Community

- Children's Wish Foundation
- Chili for Children
- Rainbow Youth Centre
- Regina and District Association for Community Living
- Regina Open Door Society

Economic Development

- Canadian Western Agribition
- Western Canadian Crop Production Show
- Western Canadian Farm Progress Show

Education

- Canadian Red Cross Bullying Prevention Program
- Ignite Adult Learning Corporation
- Junior Achievement
- Saskatchewan Co-operative Association Youth Camp and Seminars
- SIAST Aboriginal Student Scholarships

Health and Wellness

- Canadian Blood Services
- Children's Hospital of Saskatchewan
- Four Directions Health Centre
- Hospitals of Regina Foundation
- Regina Humane Society Pet Therapy Program
- Regina Palliative Care Unit
- Teddy Bears Anonymous
- United Way

Sports

- Credit Union Queen City Marathon
- Credit Union Eventplex
- Saskatchewan High Schools Athletic Association

1 Most recent figures available.

As part of its trade association mandate, SaskCentral maintains clear and effective channels of communication with governments, regulators and elected officials. Discussions are carried out throughout the year with the goal of ensuring the province's more than 500,000 credit union members are best served by a business and regulatory environment that recognizes the crucial role of credit unions in contributing to the economic well-being of Saskatchewan and its communities.

Government Engagement Strategy

Provincial Taxation for Credit Unions

In 2013, the issue that quickly rose to the top of SaskCentral's and credit unions' advocacy agenda was that of the elimination of the federal tax deduction for credit unions, which is expected to cost credit unions an estimated $4 million. The potential ripple effect on the provincial tax deduction was identified as of greater concern as that change could cost credit unions an additional $7.6 million. This issue was recognized as being one of the most significant challenges facing credit unions in the forty years since the tax deduction was first established.

Enhanced Advocacy

Along with other provincial centrals, SaskCentral supported Credit Union Central of Canada's lobbying efforts with federal MPs. Further concerted attention was given by SaskCentral delegates and credit unions to advocacy efforts in respect of the proposed elimination of the provincial tax deduction. During the year, the provincial government announced that, for 2013, the tax deduction for credit unions would remain in place. While this was welcome news for credit unions, it left open the possibility that the elimination could still occur. Consequently, intensive efforts continued throughout the year with the aim of securing government agreement to leave the existing tax regime in place for future years.

As part of the ongoing activities around this, SaskCentral distributed a government engagement package to MLAs, as well as credit union delegates and GMs/CEOs titled *Saskatchewan Credit Union Difference*, along with a link to an online YouTube video that had been produced. The purpose of the package and video was to raise awareness of the fundamental differences between credit unions and banks and why those differences are key considerations in SaskCentral's ask of government that the current tax regime for credit unions continue unchanged.

Following the 2013 announcement to maintain the status quo, it was recognized by the system that more action is required. An enhanced strategy was developed with the goal of engaging credit unions and their members to share their voice through online and in-branch petitions, letter writing templates and a postcard in support of keeping the same credit union tax rate, which could be sent to the Saskatchewan Minister of Finance.

CU Nation

By encouraging participation in government engagement from employees and others within the credit union system, the CU Nation strategy plays a valuable function within our Canadian democracy. CU Nation participants in Saskatchewan in 2013 continued to meet with their local MPs to present the perspective of credit unions on emerging issues, or simply to expand the awareness of our elected representatives about the unique structure and benefits of credit unions.

Three of the priority issues brought forward to government through this process were:

- Federal income tax fairness for credit unions: The announced elimination of the federal tax deduction for credit unions received a clear and cohesive response from CUCC, centrals and credit union system representatives. Effectively, little impact was possible at the federal level given that the amendment was passed without prior consultation.
- Applying a 'small business lens' to regulations: This focused on promoting the application of a small business perspective when drafting legislation to ensure new regulations do not unfairly impact credit unions and other small businesses.
- Complementary role for FCC: Three 'asks' continue to be brought forward in relation to FCC. These are: that FCC be subject to regular reviews; that it be mandated to provide products and services complimentary to those offered by the private sector, and subject to regular audits in respect of this; and that FCC actively seek co-operative opportunities with private and co-operative sector lenders.

The efforts undertaken in Saskatchewan and across Canada were rewarded in December with a recommendation by the House of Commons Standing Committee on Finance that the government review the mandate of FCC.

Participation in Farm Credit Canada (FCC) Liaison Committee

Along with other credit union representatives as well as representation from FCC itself, SaskCentral participates in the FCC Liaison Committee. In 2013, discussions with FCC continued with the aim to identify areas of potential co-operation. Several positive outcomes resulted from this process, including FCC/credit union memorandums of understanding, loan referrals, co-sponsorship of learning events for customers/members, sharing of information, joint learning for FCC/credit union employees, and establishment of a cross-sector steering committee to act as a positive voice for agriculture across Canada.

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

Concentra Financial

Share ownership by SaskCentral: 84.3%

Concentra Financial is Canada's only financial retail association, a co-operative, providing financial and trust solutions to over 300 Canadian credit unions. Concentra is owned by its members who include credit unions, provincial credit union centrals and other financial co-operatives. Concentra Trust is a wholly-owned subsidiary of Concentra Financial and provides trust services to credit unions across Canada.

Credit Union Payment Services (CUPS)

Joint venture participation by SaskCentral: 50%

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: 31.4%

Celero Solutions is a joint venture between four Canadian prairie co-operative organizations: Alberta Central, Manitoba Central, Concentra Financial and SaskCentral. Celero delivers reliable, innovative and cost-effective information technology solutions to the joint venture partners and credit unions in the areas of switching, telecommunications and banking.

Group Clearing Joint Venture

Joint venture participation by SaskCentral: 16.7%

Arising from inter-central discussions initiated in 2010, Group Clearing is a joint venture between SaskCentral, Central 1, Alberta Central and Manitoba Central that replaces the clearing previously performed by Canadian Central. The joint venture's purpose is to govern and operate the clearing function for credit unions across the country.

Credit Union Central of Canada (Canadian Central)

Share ownership by SaskCentral: 12.4%

Credit Union Central of Canada is the national trade association for the Canadian credit union system. Incorporated, in 1953, by a special act of Parliament, and regulated under the Cooperative Credit Associations Act (Canada), Canadian Central provides a national forum, a national voice and national services to support and expand the Canadian credit union system.

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 also provides its partners with a full complement of back-office administration and in-branch support.

Northwest & Ethical Investments L.P. (NEI)

Share ownership by SaskCentral: 8.2%

NEI is a mutual fund company that makes independent portfolio managers accessible to Canadian retail investors through two fund families: 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.

The Co-operators Group Limited

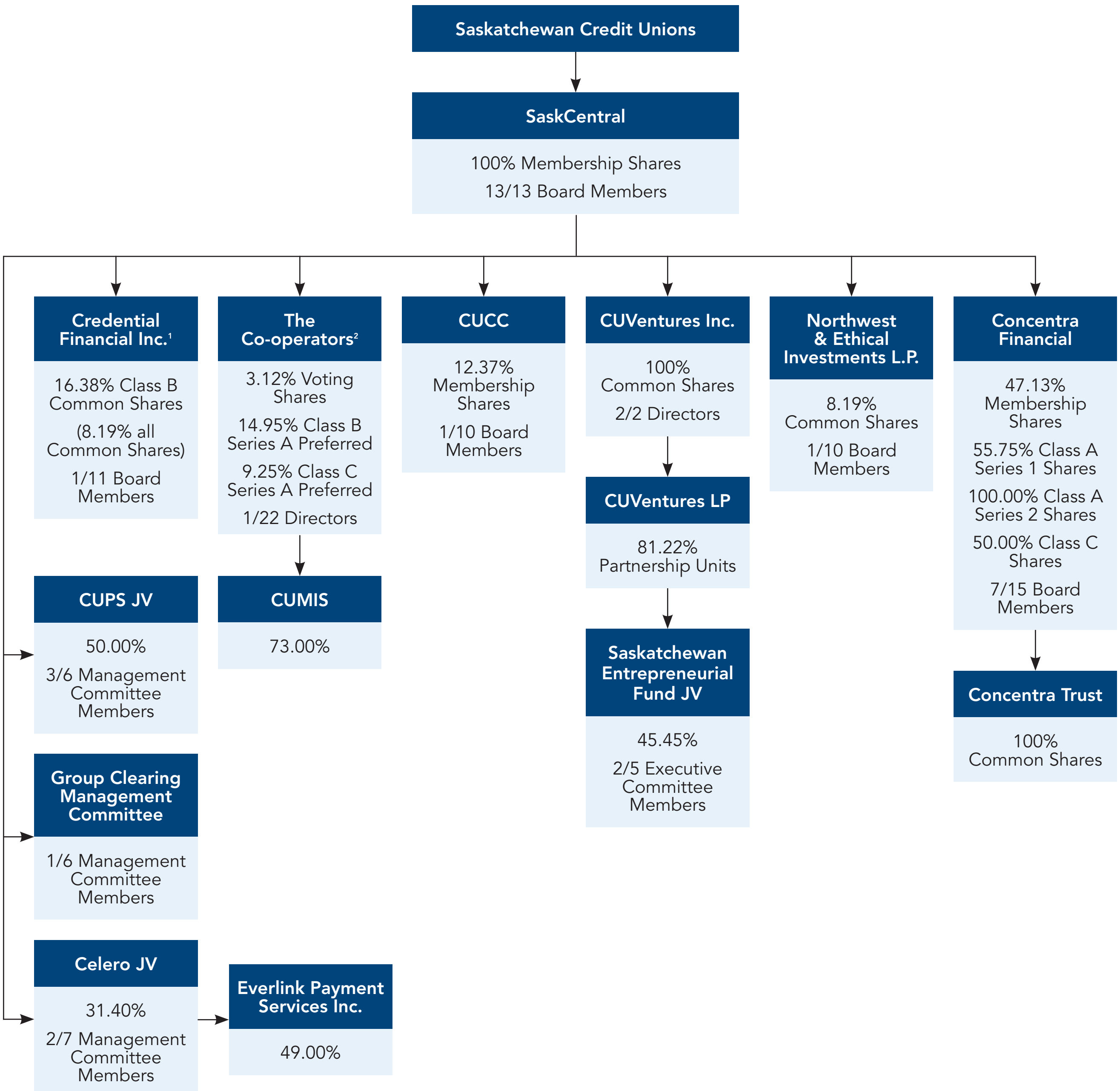
Share ownership by SaskCentral: 3.1%

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 Group 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 Company.

Investment and Governance

as at December 31, 2013



1 SaskCentral has defacto representation through Credit Union Central Alberta's board representative.

2 Director represents all Saskatchewan member-owners.

This section of the annual report, providing management's discussion and analysis (MD&A) of the consolidated results of SaskCentral, should be read in conjunction with the audited consolidated financial statements and notes as at and for the year ended December 31, 2013. 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 February 26, 2014 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, 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, 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 a financial services co-operative which provides liquidity management, consulting services, research and support to Saskatchewan credit unions. SaskCentral functions as a trade association on behalf of the province's credit unions to provide a unified voice in matters of common interest. The primary services provided to credit unions by SaskCentral are:

- to facilitate clearing and settlement through the Bank of Canada;
- to provide financial products and services that support daily cash flow management at credit unions;
- to provide emergency liquidity funding and centralized coordination in the event of a liquidity crisis;
- to offer consulting services that provide innovative solutions to help credit unions strengthen their competitive positioning;
- to offer democratic governance support to ensure efficient and effective co-operative governance;

- to provide advocacy services, representing Saskatchewan credit unions with the provincial and federal governments and within the Canadian credit union system;
- to conduct strategic market research and assist credit unions in developing and leading system-wide initiatives in response to emerging trends; and
- to provide strategic investment management through continual development of joint products and services that assist credit unions in serving their members.

SaskCentral's Role in Liquidity Support

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.

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, the Canadian Payments Association 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 statutory liquidity deposits, an overnight account, a line of credit, alternate funding sources, and foreign exchange services.

By regulation, credit unions hold 10% of their deposits with SaskCentral. These are known as statutory liquidity deposits. Credit unions select from a variety of term options and interest options. In 2013, SaskCentral introduced two new terms – a four year term and a five year term. Credit unions can invest up to 35% of their deposits in these longer term products. This provides more flexibility to credit unions in choosing investments that match their yield and term requirements.

In recent years, SaskCentral has adopted a low profit business model. This means that pricing of products and services is just sufficient to cover operating costs. In 2013, SaskCentral introduced new statutory liquidity deposit pricing to reflect the low profit business model. Deposits are priced so that SaskCentral's interest margin is sufficient to cover the costs of financial administration and regulation.

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. SaskCentral has access to wholesale institutional investments due to the large volumes that result from aggregation of statutory liquidity.

SaskCentral provides credit unions a line of credit for normal liquidity needs, bridge financing for unexpected liquidity requirements, and foreign exchange services. 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 secured line of credit with a major Canadian bank.

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) and the Inter-Central Liquidity Agreement (ICLA). The ICLA is a lending syndicate between Central 1, Alberta Central, SaskCentral, and Credit Union Central of Manitoba. Each central provides an uncommitted line of credit that may be used by any of the centrals in the event of a liquidity crisis. SaskCentral may access up to $400 million. In accordance with the ICLA, each central is required to maintain 6% of their provincial system assets in eligible investments.

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.

In response to the 2008 financial market disruption, the Basel Committee on Banking Supervision developed new international capital and liquidity guidelines (commonly known as Basel III). The goal is to promote a more resilient financial sector by improving the ability to absorb shocks. The Office of the Superintendent of Financial Institutions of Canada (OSFI) has issued Guideline B-6 Liquidity Principles and draft Liquidity Adequacy Requirements to guide the oversight of liquidity management, and Credit Union Deposit Guarantee Corporation (CUDGC) has signaled their intent to follow OSFI's guidelines. SaskCentral is actively monitoring these developments.

Economic Overview

In 2013, Saskatchewan led the country in economic growth. Historically, Saskatchewan has been known as a resource based economy and in recent years, Saskatchewan has diversified its economic base. This has attracted business investment and jobs, bolstering the housing market and fueling consumer spending.

The prevailing low interest rate environment, coupled with strong loan demand, creates a highly competitive landscape for financial institutions. As a result, margin pressure remains a point of concern for credit unions, many of which have placed an increased focus on operating efficiency.

The macroeconomic outlook for the province remains strong for 2014, based on a solid fiscal position, continued expansion of international exports and a robust job market.

Saskatchewan Credit Union System Performance

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

Credit unions operate within a comprehensive regulatory framework to ensure depositors' funds are fully guaranteed and completely secure. The corporation establishes standards of sound business practice that are aligned with federal and international regulatory approaches, and monitors credit unions to ensure they are operating according to those standards.

For more information, please visit their website: www.cudgc.sk.ca.

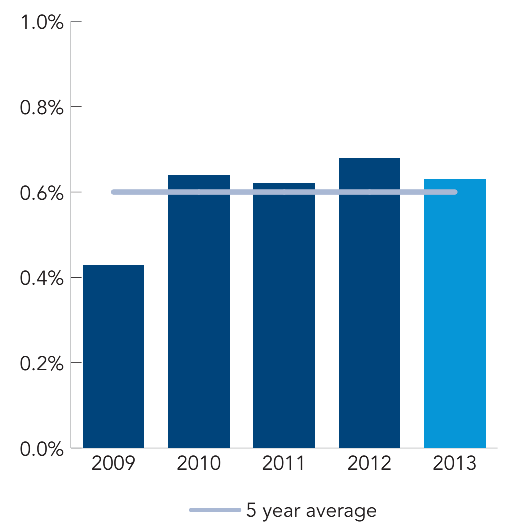
Results Overview

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

Credit unions earned $110 million in 2013, which represents a return on average assets (ROA) of 0.63% (2012 – 0.68%). Profitability exceeded expectations as credit unions reported near-record high earnings, second only to 2012.

Return On Average Assets

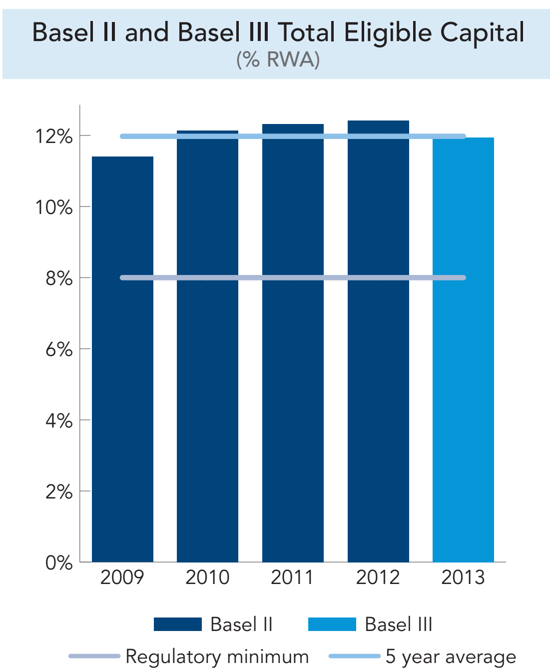


On a dollar basis, operating income increased in 2013 and this was mainly due to improved efficiency. However, net income was lower than prior year due to a change in Federal Income Tax legislation which negatively impacted credit unions. This, combined with strong asset growth, contributed to the decline in ROA.

Capital

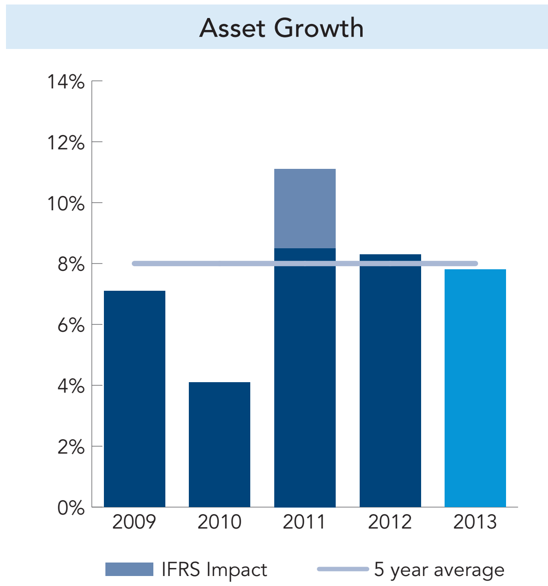
On July 1st, the Basel III framework came into effect with the issuance of the revised Standards of Sound Business Practice. Saskatchewan opted to accelerate, rather than phase in, the implementation and is now one of only two provinces that have transitioned to Basel III.

Total eligible capital compared to risk-weighted assets decreased to 11.94% (2012 – 12.42%). When reporting under the new framework commenced in 2013, eligible capital as a percentage of risk-weighted assets decreased due to the more robust requirements. However, credit union capital is well above the current regulatory minimum of 8.0% and the future regulatory minimum of 10.5%. The future requirement incorporates a 2.5% conservation buffer and is effective in 2016.



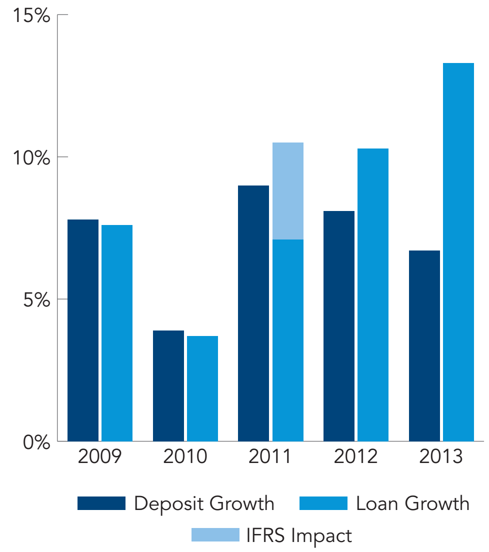
Growth

Assets grew by 7.8% to $18.2 billion, slightly ahead of the five year average of 7.7%.



Net new loans outpaced net new deposits in 2013. Loans (before allowances) grew 13.3% to $14.6 billion. The majority of loan growth can be attributed to growth in residential mortgages, followed by commercial loans.

Deposit/Loan Growth



Liquidity Risk

Liquidity risk increased due to stronger loan growth than deposit growth. The increase in net new loans caused cash and investments to decrease in 2013, reducing the financial flexibility of credit unions. While higher than expected loan growth resulted in a slight increase in liquidity risk, Saskatchewan credit unions remain among the most liquid in Canada.

Credit Risk

Delinquencies in 2013 were 0.35% (2012 – 0.54%), which was well below the five year average of 0.73% and has remained at historical lows. As such, provisions for credit losses were also below 2012 levels.

Interest Rate Risk

Interest rate risk increased modestly. For a 1% increase in interest rates, the net market value change to assets increased to -0.52% (-0.48% in 2012) but continues to remain within an acceptable range.

Statistical Review of Credit Unions

	2009	2010	2011	2012	2013
Credit Unions	65	64	61	60	53
Service Outlets	310	304	302	299	285
Employees	3,590	3,548	3,516	3,479	3,467

2013 SaskCentral Consolidated Financial Performance

Results Overview

SaskCentral's consolidated financial performance includes results from subsidiaries, associates and joint operations. The financial performance and stability of SaskCentral is summarized according to the following key performance indicators: growth, profitability, capital, liquidity risk, credit risk and interest rate risk.

Historical trends are impacted by the transition to IFRS in 2010. Before 2010, SaskCentral and Concentra Financial results were consolidated.

Growth

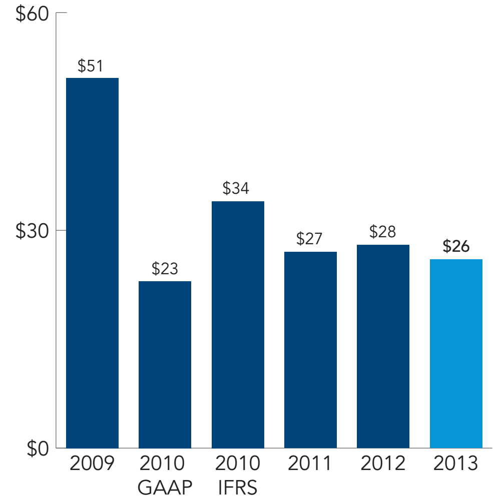
Deposits increased slightly. At $1,612 million (2012 – $1,510 million), statutory liquidity deposits comprise the majority of deposits and have increased 6.7% over prior year (2012 – 4.2%).

SaskCentral Deposits
(in millions)

Profitability

SaskCentral's consolidated profit was $26.1 million (2012 – $28.2 million).

SaskCentral Profit
(in millions)



Net interest income increased to $11.2 million (2012 – $10.5 million). SaskCentral introduced new pricing in 2013 that provides a stable interest margin. However, net interest income increased due to The Co-operators distribution. Co-operators distributed $0.7 million (2012 – $0.2 million) as a result of their strong 2012 earnings.

Non-interest income, derived from dues revenue, fee for service revenue, gains on financial instruments, and SaskCentral's share of profits from associates, was $55.3 million (2012 – $60.1 million). The decrease from prior year is primarily attributable to lower profits from Concentra Financial.

Gains and losses on financial instruments arise from portfolio repositioning for asset/liability management purposes. Gains are $2.5 million (2012 – $2.5 million), which includes a settlement received relating to asset backed commercial paper of $0.7 million.

The share of profits of associates represents SaskCentral's share of net income from Concentra Financial, Celero Solutions, and Saskatchewan Entrepreneurial Fund Joint Ventures (SEF JV). The share of profits in associates was $24.0 million (2012 – $27.9 million). The decrease was due to lower net income from Concentra Financial, mainly as a result of an increase in tax rates in 2013. Concentra Financial paid a $5.6 million dividend on 2012 earnings (2012 – $5.6 million). This dividend represented a 4.4% return on credit unions' investment in Concentra Financial through SaskCentral.

SaskCentral's share of Celero Solution's net income was $0.1 million (2012 – $0.7 million loss). Positive earnings were driven by a decrease in operating expense due to cost management efforts. Revenues were slightly down from prior year due to less banking services rendered.

Non-interest expenses represent expenditures incurred to fund dues-related products and generate fee for service revenue, as well as general operating expenses such as salaries and employee benefits and occupancy costs. Non-interest expenses decreased to $34.4 million (2012 – $36.2 million) due to cost containment efforts.

SaskCentral paid a dividend to credit unions in March 2013 of $2.6 million (2012 – $2.6 million), representing a 2.0% return on investment. SaskCentral also paid out a flow-through of the dividend received from Concentra Financial of $5.6 million (2012 – $5.6 million) to credit unions in June for a total return on investment of 6.4%.

Liquidity

SaskCentral continued to hold a strong liquidity position in 2013. Consolidated cash and securities totalled $2.0 billion, or 86% of assets (2012 – 87%).

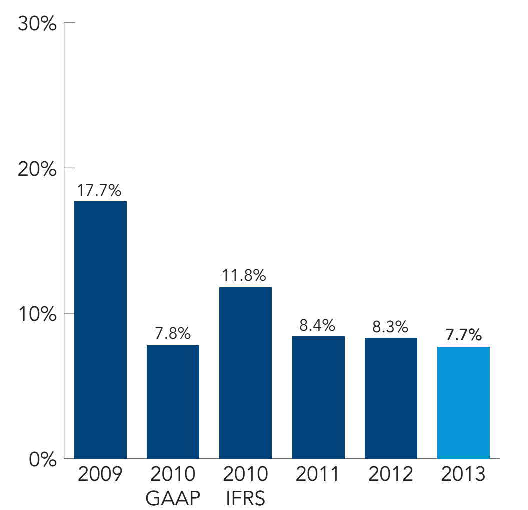
Equity

Equity increased by $19.9 million over 2012. Another year of strong earnings resulted in an increase in retained earnings of $20.1 million.

Return on Equity

Return on Equity (ROE) is a measure which reveals how much profit a company generates for shareholders. For 2013, SaskCentral's ROE was 7.7% (2012 – 8.3%).

SaskCentral Return on Equity



Liquidity Management

SaskCentral manages liquidity by evaluating regulatory developments, monitoring liquidity risks, evaluating liquidity sufficiency and providing leadership on emergency liquidity processes.

Three measures are used to monitor SaskCentral's liquidity risk position. Calculation of the ratio of liquid assets as a percentage of credit union system assets is one measure used. The ratio of liquid assets as a percentage of SaskCentral's short-term liabilities is the second measurement taken. Finally, a liquidity score is calculated on SaskCentral's investment portfolio. All three measures are used to assess SaskCentral's liquidity position and all policy requirements have been met in 2013. Refer to Note 3 for further information.

Capital Management

Capital management consists of maintaining the capital required to cover risks and comply with the regulatory capital ratios defined by OSFI. 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.

Capital Objectives

SaskCentral actively manages capital to ensure long-term financial stability, balancing the credit unions' desire for return on their investments with the capital requirements necessary to support liquidity functions and maintain an investment-grade credit rating. Capital plans analyze the different strategies that are available to SaskCentral to optimize capital. Specifically, the purpose of capital planning is to ensure SaskCentral has adequate capital to:

- meet regulatory and operational requirements;
- provide flexibility for changes in business plans;
- signal financial strength to stakeholders; and
- provide dividend options.

Regulatory Capital and Capital Ratios

Capital levels are regulated pursuant to guidelines issued by OSFI. 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. SaskCentral's Tier 2 capital consists of subordinated debt issued to member credit unions. Total capital is defined as the sum of Tier 1 and Tier 2 capital. The components of Tier 1 and Tier 2 capital are listed in the table that follows. For further details on the terms and conditions of the various capital components, refer to Note 5 in the consolidated financial statements.

Regulatory capital is adjusted for investments in unconsolidated subsidiaries. The investment in Concentra Financial (net of AOCI) and Celero Solutions is deducted from SaskCentral's capital. This allows OSFI to monitor the capital strength of SaskCentral's stand-alone operations. Concentra Financial is a regulated financial institution – it reports separately to and is regulated directly by OSFI.

Borrowing Multiple

Regulatory capital adequacy is measured by OSFI through the borrowing multiple. The borrowing multiple is calculated by dividing total borrowings by Tier 1 and Tier 2 regulatory capital. OSFI 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 OSFI. The Balance Sheet Management Policy sets a limit of 17.0:1, at which point the board must take immediate mitigating action to make certain the borrowing multiple does not exceed OSFI's limit. The Balance Sheet Operating Policy goes one step further, setting a limit of 14.0:1, at which point management will outline actions to assuage the situation. As of December 31, 2013, the borrowing multiple was 12.4:1 (2012 – 12.1:1).

During 2013, an error was discovered in relation to the reclassification of gains on securities disposed of in prior years. For more information, refer to Note 37. The impact on the borrowing multiple was a decrease of 0.3.

Regulatory Capital and Ratios

	2013	2012
Tier 1 Capital	**346,366**	319,407
Total Borrowing Multiple Capital	**151,993**	149,523
Total Borrowings	**1,889,568**	1,813,698
Actual Borrowing Multiple	**12.4:1**	12.1:1
SaskCentral Policy Limit	**17.0:1**	17.0:1
Tier 1 Regulatory Capital		
Membership shares	**132,385**	128,600
Retained earnings	**217,852**	194,678
IFRS related reclassification[1]	**(3,871)**	(3,871)
Total Tier 1 Capital	**346,366**	319,407
Tier 2 Regulatory Capital		
Subordinated debt[2]	**12,000**	18,000
IFRS related reclassification[1]	**3,871**	3,871
Total Tier 2 Capital	**15,871**	21,871
Total Tier 1 and Tier 2 Capital	**362,237**	341,278
Deduct:		
Investments in unconsolidated subsidiaries	**208,289**	190,214
Assets of little or no realizable value	**1,955**	1,541
Total Tier 1 and Tier 2 Capital	**151,993**	149,523

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

[2] Subordinated debt amortizes at 20% per year over the last five years beginning in 2011.

Capital Management

SaskCentral's borrowing multiple is expected to increase due to system growth and the redemption of subordinated debt on January 31, 2014. SaskCentral's capital plan evaluates projected capital adequacy and considers capital options, including membership share true-up and organic growth of retained earnings.

SaskCentral's bylaws require member credit unions to maintain membership share capital at 1% of the previous year's system assets. The bylaw gives SaskCentral the discretion to make this annual true-up in whole or in part. It does not prohibit or prevent either a request from SaskCentral for a voluntary capital contribution or a credit union from contributing capital voluntarily. In 2013 credit unions voluntarily contributed $3.8 million in additional membership share capital.

SaskCentral would not exercise this authority to require membership share capital contributions unless its capital plan indicated a projected borrowing multiple in excess of 15.0:1 in the subsequent year. In that case, SaskCentral would only exercise this authority to the extent that the required contribution would bring the projected borrowing multiple to 15.0:1 or to 1.0% of system assets, whichever was first met. At December 31, 2013 credit union membership share capital represented 0.78% of prior year's system assets.

SaskCentral remains well capitalized and able to support a strong, growing credit union system. Based on the projected borrowing multiple at the end of 2014, SaskCentral would be able to withstand additional capital shocks of $20 million before reaching the board policy limit of 17.0:1.

Capital Requirements

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

Uses of Capital

Capital is directed to strategic investments that provide products and services to assist credit unions in servicing their members. These investments include Concentra Financial, Celero Solutions, CUPS, Northwest & Ethical Investments LP, Credential Financial Inc., The Co-operators Group Ltd., CUCC and CUVentures Inc.

Excess capital is returned to the credit unions as a dividend. SaskCentral's dividend policy provides a market rate based return to credit unions, subject to profitability and board approval. In 2013, a dividend of $2.6 million was paid based on SaskCentral's 2012 eligible earnings. In addition, a $5.6 million dividend was paid, representing a flow through of Concentra Class A dividends.

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 our capital management strategies to reflect any changes.

Risk Management

Enterprise Risk Management (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 rather to ensure that existing and emerging risks are identified and managed within acceptable risk appetites and tolerances.

The risk framework is closely tied with SaskCentral's strategy, and so is integrated with SaskCentral's strategy map and balanced scorecard. SaskCentral's strategy and its key risks are approved by the SaskCentral board. Effective management of risk strengthens the ability of the organization to achieve its objectives and meet its obligations. Risk-aware decisions, reflected in strategy and action, optimize opportunity and capacity to create profit for stakeholders.

SaskCentral utilizes a strategy map to represent the major business objectives and improvements that are most critical to the organization's success. These objectives are then used as the major risk categories, facilitating more intense scrutiny of critical areas during risk identification.

In 2013, SaskCentral's strategy map included the following objectives:

- Strengthen satisfaction of owners
- Build client loyalty through consistent delivery of the client experience
- Strengthen relevance of fee for service products, resulting in wallet and market share growth
- Maintain financial strength and credit rating
- Deliver shareholder value
- Strengthen business model efficiency
- Strengthen internal client focus and performance to enable externally focused teams
- Demonstrate exceptional responsiveness to the needs of credit unions
- Build a culture that enables the strategy
- Equip employees to succeed
- Maintain a workforce that is engaged in delivering an exceptional client experience

Although risks are managed within the balanced scorecard/strategic map approach, all risks are also mapped to the OSFI risk categories as identified in that framework: credit, market (interest rate, price and foreign exchange), liquidity, strategic and operational, legal and regulatory. SaskCentral's Asset Liability Committee reviews these risks on a monthly basis.

SaskCentral has a board-approved conflict of interest policy and a code of conduct that must be followed by all employees, directors and delegates. In addition, SaskCentral has a regulatory compliance framework and anti-money laundering/anti-terrorist financing framework.

The regulatory compliance framework and the anti-money laundering/anti-terrorist financing framework each consist of board-approved policy and procedures, which require the appointment of a chief compliance officer/chief anti-money laundering officer to oversee and be responsible for the framework, regular risk assessment and reporting to executive management and the board on legislative and regulatory compliance, and independent review of the framework.

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

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

SaskCentral provides centralized coordination of emergency liquidity processes as described in the Liquidity Crisis Management Plan. The plan provides the basis for navigating through a liquidity crisis in a speedy and appropriate manner by outlining triggers, roles and responsibilities and communication protocols. The Liquidity Crisis Management Team is comprised of decision makers from SaskCentral, CUDGC, the affected credit union and Concentra Financial.

Every organization is vulnerable to loss as a result of business disruption or disasters. SaskCentral is responsible for minimizing the impact on the organization including recovering critical functions for clients and protecting employees and tenants. To minimize the potential impact from these types of events, SaskCentral has developed and maintains a comprehensive Business Continuity Plan which includes an Emergency Preparedness Plan, Disaster Recovery Plan and a Business Resumption Plan. Major risks identified as part of the business continuity planning process are considered for inclusion in the corporate risk register if the impact merits it.

2014 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.*

SaskCentral's corporate direction is expressed through two major strategies: client experience, and long-term positioning. These two strategies form the foundation for how the organization strengthens relevance and value creation in both today's and tomorrow's operating environments.

The client strategy is how the organization maintains focus and accountability for driving continual improvement in the experiences our clients have with us. It also defines the internally focused initiatives that address operational challenges which act as barriers to higher levels of performance.

SaskCentral's long-term positioning strategy describes both the end state and efforts being used to achieve a nationally unified and internationally capable co-operative financial network. The organization continues to pursue opportunities to partner with other organizations in order to achieve the benefits that greater scale and aggregation can produce for credit unions.

The business plan is broken down into four separate focus areas, which are used to ensure balance in the strategy and accountability frameworks:

Client

The goal of the Client focus area is to contribute to credit unions' ability to win in their markets and foster a high degree of client satisfaction. In 2014, there are two corporate initiatives that will be used to advance the long-term strategy. "System Strategy" is the first initiative. It is provincially focused, and intended to develop momentum around co-operative partnerships between

SaskCentral and credit unions. This will be accomplished by co-creating greater clarity around potential opportunities to partner in-province. The "Partnership Engagement Strategy" is our second initiative under this focus area. This is a continuation of a multi-year initiative designed to generate increased collaboration at the national level. This in turn will position the system to adapt and respond to impending business environment changes and challenges.

Financial

As financial institutions continue to be challenged by market conditions, capital constraints and competition, SaskCentral's financial focus will be centered on optimizing liquidity and capital to maintain a position of financial strength to enable the achievement of its strategic objectives.

SaskCentral's dividend policy ensures that the projected borrowing multiple at the end of the following calendar year does not exceed 15.0:1. SaskCentral's capacity to pay dividends in the future is dependent on a number of factors, particularly credit union growth. Assuming a 6% growth rate each year, 2014 may be the last year that SaskCentral will be able to pay dividends based on its earnings from core operations.

Two other factors have the potential to impact the borrowing multiple. First, transition to Basel III is likely to introduce volatility to the calculation of regulatory capital, especially when interest rates increase. Second, voluntary share subscriptions would improve regulatory capital and reduce the need to request additional capital.

Internal Business Processes

The focus for Internal Business Processes is to maintain an efficient and high performing business model that enables organizational success. In 2014, the "Stakeholder Engagement Review" initiative will be used to optimize current and future interaction within the provincial system to result in better decision making and process efficiency. SaskCentral is also maintaining a focus on strengthening internal processes that result in greater operational responsiveness to the needs of credit unions.

People

SaskCentral places top priority on employee satisfaction and engagement. Therefore, the focus for the People area is to maintain an engaged workforce with the competencies required to facilitate the achievement of its strategic objectives. SaskCentral is pursuing strategic workforce management analysis to position the organization for the future, thereby ensuring the expertise and competencies being developed also align with the emerging needs of the organization.

Accounting Matters

Critical Accounting Estimates and Assumptions

The accompanying consolidated financial statements have been prepared in accordance with IFRS. The significant accounting policies used in the preparation of the 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. Certain estimates, including allowances for impairment, fair value of financial instruments and income taxes require management to make subjective or complex judgments. Accordingly, actual results could differ from those estimates. Critical accounting estimates and judgments are described in Note 6.

Accounting Policy Changes

Changes made to our accounting policies during the year are described, along with their impacts and future accounting changes, in Note 2 and Note 38.

To the Members of Credit Union Central of Saskatchewan

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

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

The Office of the Superintendent of Financial Institutions Canada reviews the activities of SaskCentral to ensure compliance with the Cooperative Credit Associations Act, 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.

Keith Nixon
Chief Executive Officer

Sheri Lucas
Chief Financial Officer / Executive Vice-President of Finance

February 26, 2014

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 balance sheet 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 balance sheet 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 management letter recommendations. The Audit and Risk Committee meets with the Chief Audit Officer to review and approve audit plans and also reviews reports from Audit Services on the effectiveness of the internal control environment. Both the external auditor and Audit Services have free access to, and meet periodically with, the Audit and Risk Committee to discuss their findings.

The annual return prepared by management for the Office of the Superintendent of Financial Institutions (OSFI) is reviewed by the Audit and Risk Committee prior to filing. Also, management letter recommendations received from OSFI are reviewed by the Audit and Risk Committee.

Gilles Colbert
Chair, Audit and Risk Committee

February 26, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Credit Union Central of Saskatchewan

We have audited the accompanying consolidated financial statements of Credit Union Central of Saskatchewan, which comprise the consolidated balance sheet as at December 31, 2013, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Credit Union Central of Saskatchewan as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 37 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2013 has been restated.

Deloitte LLP

Chartered Accountants

Regina, Saskatchewan
February 26, 2014

[in thousands of Canadian dollars]

As at December 31

	2013 $	2012 $ Restated [note 37]	January 1, 2012 $ Restated [note 37]
Assets			
Cash and cash equivalents [note 7]	**52,983**	21,916	20,459
Securities [note 8]	**1,927,146**	1,889,865	1,846,740
Derivative assets [note 9]	**18,115**	11,999	12,127
Loans [note 10]	**80,568**	58,927	94,277
Trade and other receivables	**984**	1,146	1,193
Other assets [note 11]	**686**	774	822
Investments in associates [note 12]	**216,871**	200,114	183,621
Property, plant and equipment [note 13]	**4,398**	4,255	3,995
Investment property [note 14]	**10,389**	10,636	10,907
Intangible assets [note 15]	**858**	1,229	1,737
	2,312,998	2,200,861	2,175,878
Liabilities			
Deposits [note 17]	**1,766,974**	1,691,507	1,631,789
Derivative liabilities [note 9]	**18,115**	12,017	12,238
Loans payable [note 18]	**107,593**	99,614	118,169
Notes payable [note 19]	**14,995**	14,993	49,966
Trade and other payables	**4,644**	4,610	4,232
Other liabilities	**126**	105	230
Deferred income tax liabilities [note 16]	**9,131**	6,595	4,839
Subordinated debentures [note 20]	**30,857**	30,792	30,936
	1,952,435	1,860,233	1,852,399
Equity			
Share capital [note 21]	**132,385**	128,600	125,926
Retained earnings	**217,852**	197,749	175,471
Accumulated other comprehensive income	**9,035**	13,210	21,494
Total equity attributable to equity holders of SaskCentral	**359,272**	339,559	322,891
Non-controlling interest	**1,291**	1,069	588
Total equity	**360,563**	340,628	323,479
	2,312,998	2,200,861	2,175,878

See accompanying notes

On behalf of the board:

Director

Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

[in thousands of Canadian dollars]

Year ended December 31

	2013 $	2012 $
Interest income		
Securities	**36,439**	36,735
Loans	**977**	797
	37,416	37,532
Interest expense		
Deposits	**23,134**	23,797
Loans and notes	**2,225**	2,399
Subordinated debentures	**860**	796
	26,219	26,992
Net interest income	**11,197**	10,540
Non-interest income		
Dues [note 23]	**6,400**	6,155
Fee for service [note 24]	**22,377**	23,567
Gain on financial instruments [note 30]	**2,476**	2,511
Share of profits of associates [note 12]	**24,007**	27,879
	55,260	60,112
Net interest and non-interest income	**66,457**	70,652
Non-interest expense		
Salary and employee benefits [note 25]	**14,971**	15,476
Professional and advisory services [note 26]	**7,610**	7,870
Computer and office equipment [note 27]	**3,408**	3,259
Occupancy [note 28]	**3,557**	3,633
General business [note 29]	**4,850**	5,329
Share of losses of associates [note 12]	**-**	680
	34,396	36,247
Profit for the year before income taxes	**32,061**	34,405
Income tax expense [note 16]	**6,001**	6,164
Profit for the year	**26,060**	28,241
Attributable to:		
Owners of SaskCentral	**26,060**	28,241
Non-controlling interest	**-**	-
	26,060	28,241

See accompanying notes

[in thousands of Canadian dollars]

Year ended December 31

	2013 $	2012 $
Profit for the year	**26,060**	28,241
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Net unrealized losses on available-for-sale securities during the year	**(3,050)**	(5,365)
Reclassification of gains on available-for-sale securities disposed of in the year	**(861)**	(449)
Share of other comprehensive loss of associates	**(1,526)**	(4,671)
Income tax relating to items that may be reclassified subsequently	**1,262**	2,201
Other comprehensive loss for the year, net of tax	**(4,175)**	(8,284)
Total comprehensive income for the year	**21,885**	19,957
Attributable to:		
Owners of SaskCentral	**21,885**	19,957
Non-controlling interest	**-**	-
	21,885	19,957

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[in thousands of Canadian dollars]

Year ended December 31

	Share Capital	Retained Earnings Restated [note 37]	Accumulated Other Comprehensive Income Restated [note 37]	Total	Non-controlling interest	Total Equity
Balance as at December 31, 2011, as previously reported	125,926	172,400	24,565	322,891	588	323,479
Prior period error [note 37]	-	3,071	(3,071)	-	-	-
Balance as at December 31, 2011, as restated	125,926	175,471	21,494	322,891	588	323,479
Profit for the year	-	28,241	-	28,241	-	28,241
Other comprehensive loss for the year, net of tax	-	-	(8,284)	(8,284)	-	(8,284)
Increase in share capital	2,674	-	-	2,674	481	3,155
Dividends [note 22]	-	(8,170)	-	(8,170)	-	(8,170)
Reduction in income taxes [note 16}	-	2,207	-	2,207	-	2,207
Balance as at December 31, 2012	128,600	197,749	13,210	339,559	1,069	340,628
Profit for the year	**-**	**26,060**	**-**	**26,060**	**-**	**26,060**
Other comprehensive loss for the year, net of tax	**-**	**-**	**(4,175)**	**(4,175)**	**-**	**(4,175)**
Increase in share capital	**3,785**	**-**	**-**	**3,785**	**222**	**4,007**
Dividends [note 22]	**-**	**(8,160)**	**-**	**(8,160)**	**-**	**(8,160)**
Reduction in income taxes [note 16]	**-**	**2,203**	**-**	**2,203**	**-**	**2,203**
Balance as at December 31, 2013	**132,385**	**217,852**	**9,035**	**359,272**	**1,291**	**360,563**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2013 $	2012 $
Cash flows from operating activities		
Profit for the year	26,060	28,241
Adjustments to determine net cash used in operating activities:		
Depreciation of property, plant and equipment and investment property [note 13/14]	836	821
Other amortization	18,606	21,166
Gain on financial instruments	(2,476)	(2,511)
Net interest income	(11,197)	(10,540)
Share of profits in associates, net of losses	(24,007)	(27,199)
Dividends on equity investments	(673)	(237)
Income tax expense	6,001	6,164
Changes in operating assets and liabilities:		
Derivative (liabilities) assets	(18)	(93)
Loans, net of repayments	(21,582)	35,356
Trade and other (payables) receivables	196	425
Other assets	88	48
Deposits, net of withdrawals	75,519	60,057
Other liabilities	20	(125)
Interest received	38,911	38,280
Dividends received	673	237
Interest paid	(26,266)	(27,510)
Cash flows provided by operating activities	80,691	122,580
Cash flows from financing activities		
Loans payable, net of repayments	7,974	(18,551)
Notes payable, net of repayments	(4)	(34,942)
Proceeds from issuance of share capital	3,785	2,674
Dividends paid to members [note 22]	(8,160)	(8,170)
Cash flows provided by (used in) financing activities	3,595	(58,989)
Cash flows from investing activities		
Purchase of securities	(2,903,515)	(2,580,341)
Proceeds from sales of securities	2,844,656	2,512,982
Asset backed commercial paper (ABCP) settlement funds received [note 30]	731	-
Distributions from investments in associates	6,383	6,095
Contributions to investments in associates	(659)	(60)
Property, plant and equipment [note 13]	(732)	(810)
Intangible assets [note 15]	(83)	-
Cash flows used in investing activities	(53,219)	(62,134)
Net increase in cash and cash equivalents	31,067	1,457
Cash and cash equivalents, beginning of year	21,916	20,459
Cash and cash equivalents, end of year	52,983	21,916

See accompanying notes

1. REPORTING ENTITY

Credit Union Central of Saskatchewan and its subsidiaries (collectively "SaskCentral") is a company domiciled in Canada. The address of SaskCentral's registered office is 2055 Albert Street, Regina, Saskatchewan, S4P 3G8. SaskCentral is incorporated under *The Credit Union Central of Saskatchewan Act, 1999 (the Act)*, and maintains a certification and carries on business pursuant to the *Cooperative Credit Associations Act (Canada)* (the CCAA). SaskCentral's core functions are liquidity management and trade association activities on behalf of and for Saskatchewan credit unions.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

(a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board on February 26, 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets, financial assets and liabilities held at FVTPL, which include all derivative contracts, which have been measured at fair value.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, SaskCentral takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, and measurements that have some similarities to fair value, but are not fair value, such as value in use on impairment.

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

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

(c) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

(d) Use of estimates and judgments

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

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

Information about key sources of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are described in Note 6.

Basis of consolidation

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

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

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

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

Consolidation of a subsidiary begins when SaskCentral obtains control over the subsidiary and ceases when SaskCentral loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date SaskCentral gains control until the date when SaskCentral ceases to control the subsidiary.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

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

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

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

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) are applied to determine whether it is necessary to recognize any impairment loss with respect to SaskCentral's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* (IAS 36) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Interests in joint operations

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations (continued)

When a group entity undertakes its activities under joint operations, SaskCentral as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

SaskCentral accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Sales and repurchase agreements

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

Financial instruments

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

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

(a) Financial assets

SaskCentral classifies financial assets to the following specified categories: FVTPL; available-for-sale; held to maturity; and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as FVTPL.

A financial asset is classified as held-for-trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with SaskCentral's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and is reported as gains on financial instruments. Gains and losses arising from SaskCentral's foreign exchange contracts are classified as held-for-trading and are included in the consolidated statement of profit or loss and are reported as fee for service. Fair value is determined in the manner described in Note 4.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables or financial assets at FVTPL. Available-for-sale financial assets are initially recognized at fair value and measured subsequently at fair value with gains and losses being recognized in other comprehensive income (loss) (OCI) in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. Fair value is determined in the manner described in Note 4.

Available-for-sale financial assets are assessed for impairment at the end of each reporting period. If an available-for-sale financial asset is determined to be impaired, the cumulative gains or losses previously recognized in OCI in the consolidated statement of comprehensive income is recognized in the consolidated statement of profit or loss. Interest is calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the consolidated statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-sale financial assets (continued)

Purchase premiums or discounts on available-for-sale securities are amortized over the life of the security using the effective interest method and are recognized in securities interest income. Interest income accruing on available-for-sale securities is recorded in securities interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of profit or loss in securities interest income when SaskCentral's right to receive payment is established. Gains and losses realized on disposal of available-for-sale securities are included in gains on financial instruments.

Investments in equity instruments of co-operative enterprises classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method less any impairment.

(b) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as trade and other receivables, assets are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include SaskCentral's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets that are carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities measured at amortized cost. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is either held-for-trading or it is designated as FVTPL. A financial liability is classified as held-for-trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivatives that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains and losses arising from remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial assets or liabilities

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

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

Categories of financial instruments

SaskCentral classifies their financial instruments into categories that reflect characteristics of the financial instruments. The classification made can be seen in the table below:

	Classification as defined by IAS 39	Type of financial instrument
Financial assets	FVTPL	Held-for trading • Certain debt securities • Derivative assets Designated at FVTPL • None
	Available-for-sale	Certain debt securities Equity securities
	Loans and receivables	Cash and cash equivalents Loans Trade and other receivables
Financial liabilities	FVTPL	Held-for-trading • Derivative liabilities Designated at FVTPL • None
	Other financial liabilities	Deposits Loans payable Notes payable Trade and other payables Subordinated debentures

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Note 33 provides further disclosure required for SaskCentral's offsetting financial instruments.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the consolidated statement of profit or loss using the effective interest method, except for short-term receivables and payables when the effect of discounting is immaterial. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, SaskCentral estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and basis points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income on held-for-trading securities is presented together with all other changes in the fair value of held-for-trading securities in gains on financial instruments.

Fee for service

Fee for service revenues are recognized over the period in which the related service is rendered.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid securities with a short maturity from the date of acquisition. They are subject to insignificant risk of changes in fair value and are used to manage short-term cash commitments.

Derivative financial instruments

SaskCentral enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, which include foreign exchange forward contracts. SaskCentral also enters into derivative transactions on an intermediary basis on behalf of credit unions. These derivatives are carried at fair value on a gross basis as derivative assets and liabilities. Further details of derivative financial instruments are disclosed in Note 9.

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

Subordinated debentures

Transaction costs, premiums and discounts incurred in the issuance of subordinated debentures are amortized to interest expense using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

The applicable depreciation periods are as follows:

Buildings	40 years
Building improvements	5 years
Furniture and equipment	3 to 5 years

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

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

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

Investment property

Investment property is property held for long-term rental income or for capital appreciation or both, and that is not occupied by SaskCentral. Investment property may be partially occupied by SaskCentral with the remainder being held for rental income or capital appreciation. The portion that is owner-occupied is accounted for as property, plant and equipment and the portion that is held for rental income is accounted for as an investment property. If the part of the property held for rental income can be sold separately, SaskCentral accounts for the portions separately. In order to determine the percentage of the portions, SaskCentral uses the size of the property measured in square feet.

Investment property is carried at its cost less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the straight-line method over 40 years, which is the estimated useful life of the investment property. Depreciation is discontinued when the residual value is equal to or greater than the net carrying value of a depreciable asset. Depreciation methods, residual values and estimates of useful lives are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The applicable amortization periods are as follows:

Computer software	3-5 years
Intangible assets under development	3-5 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

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

Impairment of non-financial assets

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

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

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

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date and when there is an indication that reversal of the impairment may have occurred. Upon reversal of an impairment loss the carrying amount is increased to the revised recoverable amount and the revised recoverable amount does not exceed the carrying amount had the impairment loss not been recognized in prior years. The reversal is recognized in profit or loss immediately. No non-financial assets were impaired in 2013 or 2012.

Taxation

Income tax expense represents current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(a) Current tax

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

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated balance sheet and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

(b) Deferred tax (continued)

The principal temporary differences arise from depreciation of property, plant and equipment, effective interest method and carry-forward losses. Deferred income tax is not recognized for the following: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries to the extent SaskCentral is able to control the timing of the reversal of the temporary difference and to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Employee Benefits

(a) Pension benefits

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

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

(b) Short-term employee benefits

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Dividends

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

New standards and interpretations not yet adopted

At December 31, 2013 a number of standards and interpretations, and amendments thereto have been issued by the International Accounting Standards Board (IASB), which are not effective for these consolidated financial statements. Those which could have an impact on SaskCentral's consolidated financial statements are discussed below.

Financial instruments

IFRS 9, *Financial Instruments* (IFRS 9), issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Recently, the IASB has re-opened the classification and measurement requirements of financial assets and published an exposure draft in November 2012 proposing limited improvements to IFRS 9. In March 2013, the IASB issued a revised exposure draft relating to impairment methodology. The IASB has not yet issued final amendments to IFRS 9.

Key requirements of IFRS 9:

All recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

SaskCentral anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect to SaskCentral's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted (continued)

Offsetting financial assets and financial liabilities

The amendments to IAS 32, *Financial Instruments: Presentation* (IAS 32) clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

SaskCentral is currently evaluating the impact of the amendments to IAS 32 on its consolidated financial statements.

SaskCentral did not early adopt any new or amended standards in 2013.

3. FINANCIAL RISK MANAGEMENT

As a financial institution, SaskCentral is exposed to the following risks as a result of holding financial instruments: credit risk, market risk, interest rate risk and liquidity risk. The following is a description of these risks and how they are managed.

Credit risk

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

SaskCentral manages credit risk by:

- Restricting the concentration of credit to issuer, issuer group, and industry
- Aggregating credit exposures (including derivatives) to a counterparty
- Determining appropriate levels of credit concentration commensurate with the ability to absorb credit losses while not impairing the liquidity operations
- Limiting lending to credit unions for liquidity support and other strategic investments
- Establishing prudent loan structuring, and credit review and authorization processes
- Effectively managing monitored and non-productive assets
- Monitoring the quality of the credit portfolio ensuring conservative valuation, adequate provisions for impairment, and timely recognition of losses through specific loss allowances and write downs
- Establishing collective loss allowance levels based upon industry best practice methodology

SaskCentral's Board is responsible for approving the credit risk tolerances in the *Balance Sheet Management Policy* upon the recommendation of the Audit and Risk Committee. Further operating credit risk policies are outlined in the *Balance Sheet Operating Policy* which is within the authority of the Executive Vice-President, Finance/Chief Financial Officer/Chief Risk Officer. Compliance to these policies is monitored on a quarterly basis.

The Credit Committee, established by the Board and comprised of members of executive and senior management, has the authority to approve large loans. The Asset-Liability Committee, established by the Board and comprised of members of executive, senior, and operating management, has the authority to set credit risk strategies for the security portfolio within the risk tolerances in the *Balance Sheet Management Policy* and *Balance Sheet Operating Policy*.

The following reports, related to the management of credit risk, are provided to the SaskCentral Board:

- Monitored and Non-Productive Assets Report
- Large Lending Credits Report
- Corporate Risk Report

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The SaskCentral credit risk objectives, policies, and methodologies have not changed materially from December 31, 2012.

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

Credit risk exposure by risk rating:

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

	2013 $	2012 $
Low risk		
Risk rating 1	**454,434**	415,056
Risk rating 2	**1,000**	1,000
Standard monitoring		
Risk rating 3	**-**	-
Risk rating 4	**-**	-
Special monitoring		
Risk rating 5	**11,896**	12,810
Default		
Risk rating 6	**-**	-
Risk rating 7	**-**	-
Total Exposure	**467,330**	428,866

The following tables summarize the risk rating based on recognized rating agency data for FVTPL securities at carrying value.

	2013 $	2012 $
A	**21,925**	21,069
BBB	**-**	-
Unrated	**391**	293
Total Exposure	**22,316**	21,362

The following tables summarize the risk rating based on recognized rating agency data for available-for-sale securities at carrying value.

	2013 $	2012 $
AAA/R1H	**668,454**	682,959
AA/R1M	**682,719**	551,340
A/R1L	**511,210**	584,433
BBB/R2H	**19,899**	32,114
Unrated	**10**	104
Co-operatives	**13,115**	6,576
Total Exposure	**1,895,407**	1,857,526

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Refer to Note 8 for information on the credit quality performance of the security portfolio and Note 10 for information on the credit quality performance of the loan portfolio.

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

Credit risk exposure by industry:

	2013 $			2012 $
	Outstanding	Undrawn Commitments	Total	Total
Automobile financing	10,413	-	10,413	30,440
Banking	795,611	-	795,611	773,566
Credit card issuing/financing	42,391	-	42,391	40,382
Credit union	86,738	278,612	365,350	352,656
Insurance carriers and related activities	1,797	-	1,797	1,797
Manufacturing	8,287	-	8,287	25,588
Mining and oil and gas extraction	27,775	-	27,775	27,106
Other	22,326	-	22,326	30,674
Other depository	14,987	-	14,987	26,266
Other - diversified holdings	7,979	1,000	8,979	9,769
Public administration	937,167	-	937,167	885,811
Real estate	1,481	-	1,481	8,201
Rental and leasing services	13,373	-	13,373	8,372
Retail trade	12,073	-	12,073	5,638
Transportation and warehousing	35,594	-	35,594	13,044
Utilities	4,301	-	4,301	8,255
Total Exposure	2,022,293	279,612	2,301,905	2,247,565

Market risk

Market risk arises from three components:

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

SaskCentral manages market risk by:

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

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

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

The Asset-Liability Committee has the authority to set market risk strategies for the balance sheet within the risk tolerances in the Balance Sheet Management Policy and Balance Sheet Operating Policy. In addition, this committee monitors the monthly simulation of the impact of interest rate changes to ensure market risk levels remain within policy and strategy parameters, and reviews derivative holdings.

The Corporate Risk Report, outlining market risk levels, is provided to the Board on an annual basis.

The SaskCentral market risk objectives and methodologies have not changed materially from December 31, 2012.

The market risk position is measured on a monthly basis. Measurement of risk is based upon key assumptions such as future interest rate movements, asset growth, and funding mix. The short term (next 12 months) risk position is assessed by measuring both the impact of an immediate 100 basis points (bp) shock and a 30% rate ramp scenario on the adjusted net interest income which is the net interest income adjusted for realized gains and losses on derivatives. The long term risk position is assessed by measuring both the impact of an immediate 100 bp shock and a 30% rate ramp scenario on the economic value of equity.

The following represents the SaskCentral market risk position:

	2013 $		2012 $	
	Adjusted net interest income	**Economic value of equity**	Adjusted net interest income	Economic value of equity
Impact of:				
100 bp increase in rates	**4.5%**	**(1.0%)**	0.5%	(4.5%)
100 bp decrease in rates	**(4.7%)**	**0.7%**	(0.4%)	3.5%
Impact of:				
30% rate ramp increase	**2.8%**	**(0.3%)**	2.6%	(1.0%)
30% rate ramp decrease	**(2.1%)**	**0.4%**	(0.1%)	1.1%

Interest rate risk

SaskCentral's exposure to interest rate risk can also be measured by the mismatch or gap, between the assets and liabilities scheduled to mature or reprice on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that reprice in specific time periods.

Repricing dates are based on the earlier of maturity or the contractual repricing date and effective interest rates, where applicable, represent the weighted average effective yield.

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

The table below shows SaskCentral's gap position, as at December 31:

2013
$

	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	52,983	-	-	-	-	-	52,983
Securities	-	317,546	398,639	1,179,374	14,998	16,589	1,927,146
Effective interest rate		1.42%	1.79%	1.84%	1.28%		
Derivative assets	-	3,496	3,348	11,271	-	-	18,115
Loans	36,191	44,297	-	-	-	80	80,568
Effective interest rate	2.48%	0.30%					
Trade and other receivables	-	-	-	-	-	984	984
Other assets	-	-	-	-	-	686	686
Investments in associates	-	-	-	-	-	216,871	216,871
Property, plant and equipment	-	-	-	-	-	4,398	4,398
Investment property	-	-	-	-	-	10,389	10,389
Intangible assets	-	-	-	-	-	858	858
	89,174	365,339	401,987	1,190,645	14,998	250,855	2,312,998
Liabilities							
Deposits	85,623	161,395	357,638	1,077,734	15,042	69,542	1,766,974
Effective interest rate	0.10%	1.96%	2.08%	1.56%	1.28%		
Derivative liabilities	-	3,496	3,348	11,271	-	-	18,115
Loans payable	-	107,586	-	-	-	7	107,593
Effective interest rate		1.05%					
Notes payable	-	14,981				14	14,995
Effective interest rate		1.20%					
Trade and other payables	-	-	-	-	-	4,644	4,644
Other liabilities	-	-	-	-	-	126	126
Deferred income tax liabilities	-	-	-	-	-	9,131	9,131
Subordinated debentures	-	-	-	30,000	-	857	30,857
Effective interest rate				2.87%			
Non-controlling interest	-	-	-	-	-	1,291	1,291
Equity	-	-	-	-	-	359,272	359,272
	85,623	287,458	360,986	1,119,005	15,042	444,884	2,312,998
Total gap	3,551	77,881	41,001	71,640	(44)	(194,029)	-

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

2012
$

	On demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	21,916	-	-	-	-	-	21,916
Securities	-	779,364	343,293	749,258	397	17,553	1,889,865
Effective interest rate		1.41%	1.92%	2.46%	12.03%		
Derivative assets	-	191	482	11,326	-	-	11,999
Loans	43,196	15,710	-	-	-	21	58,927
Effective interest rate	2.62%	2.03%					
Trade and other receivables	-	-	-	-	-	1,146	1,146
Other assets	-	-	-	-	-	774	774
Investments in associates	-	-	-	-	-	200,114	200,114
Property, plant and equipment	-	-	-	-	-	4,255	4,255
Investment property	-	-	-	-	-	10,636	10,636
Intangible assets	-	-	-	-	-	1,229	1,229
	65,112	795,265	343,775	760,584	397	235,728	2,200,861
Liabilities							
Deposits	156,859	278,739	443,365	808,394	-	4,150	1,691,507
Effective interest rate	0.03%	0.58%	0.91%	0.98%			
Derivative liabilities	-	209	482	11,326	-	-	12,017
Loans payable	-	99,612	-	-	-	2	99,614
Effective interest rate		0.56%					
Notes payable	-	14,993	-	-	-	-	14,993
Effective interest rate		1.19%					
Trade and other payables	-	-	-	-	-	4,610	4,610
Other liabilities	-	-	-	-	-	105	105
Subordinated debentures	-	-	-	30,000	-	792	30,792
Effective interest rate				2.64%			
Deferred income tax liabilities	-	-	-	-	-	6,595	6,595
Non-controlling interest	-	-	-	-	-	1,069	1,069
Equity	-	-	-	-	-	339,559	339,559
	156,859	393,553	443,847	849,720	-	356,882	2,200,861
Total gap	(91,747)	401,712	(100,072)	(89,136)	397	(121,154)	-

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

SaskCentral evaluates interest rate risk by determining the financial impact under a variety of scenarios. SaskCentral limits the impact of interest rate changes so that an immediate 100 basis point (bp) change in the interest rate will not negatively affect the economic value of equity by more than 10% or projected annual net interest income by more than 10% and a 30% rate ramp scenario will not negatively affect the economic value of equity by more than 10% one year forward or projected annual net interest income by more than 10%. SaskCentral's interest rate sensitivity to a 100 bp fluctuation in interest rates over the next 12 months would be as outlined in the following table:

	2013 $		2012 $	
	Profit (loss) for the year	Other comprehensive (loss) income	Profit (loss) for the year	Other comprehensive (loss) income
Impact of:				
100 bp increase in rates	**11,523**	**(2,724)**	9,746	(18,199)
100 bp decrease in rates	**(11,025)**	**2,724**	(5,605)	14,028

Liquidity risk

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

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

- Regular monitoring of credit union system and SaskCentral cash flows
- Maintaining sufficient cash and cash equivalents to support daily liquidity needs
- Investing a significant portion of the investment portfolio in liquid low-risk instruments
- Maintaining external credit facilities, including lines of credit, a commercial paper program, and repurchase agreements
- Maintaining a credit agreement with the Group Clearer for settlement purposes
- Undertaking periodic stress testing
- Maintaining an investment grade market rating
- Ensuring adequate liquidity to facilitate clearing and settlement functions on behalf of Saskatchewan credit unions
- Ensuring investments are available to support liquidity needs
- Providing operating credit facilities for Saskatchewan credit unions
- Maintaining a liquidity crisis management plan, including funding plans
- Leading engagement with credit unions regarding liquidity processes and practices

The SaskCentral Board is responsible for approving the liquidity risk tolerances in the *Balance Sheet Management Policy* upon the recommendation of the Audit and Risk Committee. Further operating liquidity risk policies are outlined in the *Balance Sheet Operating Policy* which is within the authority of the Executive Vice-President of Finance/Chief Financial Officer/Chief Risk Officer. Compliance to these policies is monitored on a quarterly basis.

The Asset-Liability Committee has the authority to set liquidity risk strategies for the balance sheet within the risk tolerances in the *Balance Sheet Management Policy* and *Balance Sheet Operating Policy*. In addition, this committee reviews compliance to mandatory liquidity requirements and monitors the liquidity position and projections, including the results of stress testing. The Corporate Risk Report, outlining liquidity risk levels, is provided to the Board on an annual basis. The SaskCentral liquidity risk objectives, policies, and methodologies have not changed materially from December 31, 2012.

in thousands of Canadian dollars

3. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

In the normal course of business SaskCentral enters into contracts that give rise to commitments of future minimum payments which affect liquidity.

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

	2013 $				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans payable	107,593	-	-	-	107,593
Notes payable	14,995	-	-	-	14,995
Subordinated debentures	857	-	30,000	-	30,857
Total Exposure	123,445	-	30,000	-	153,445

	2012 $				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans payable	99,614	-	-	-	99,614
Notes payable	14,993	-	-	-	14,993
Subordinated debentures	792	-	30,000	-	30,792
Total Exposure	115,399	-	30,000	-	145,399

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

SaskCentral liquidity position is monitored on a daily basis to ensure it can fulfill its primary role as liquidity manager for the Saskatchewan credit union system, meet its obligations, and optimize its cash resources for the balance sheet. SaskCentral aims to effectively use liquidity facilities to ensure liquidity access during constrained liquidity conditions.

The SaskCentral on-balance sheet liquidity position is monitored in reference to a ratio of liquid assets as a percentage of Saskatchewan credit union system assets and a balance sheet liquidity ratio (readily marketable liquid assets as a percentage of liabilities). At December 31, 2013 the ratio of liquid assets as a percentage of Saskatchewan credit union system assets was 7.0% (7.4% at December 31, 2012) and balance sheet liquidity ratio was 98.9% (97.9% at December 31, 2012).

in thousands of Canadian dollars

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

Instrument	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	2013 $	2012 $			
Financial assets					
Available-for-sale securities					
Government					
Federal	**444,483**	340,461	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Provincial	**493,797**	526,517	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Municipal	-	13,835	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Corporate					
Corporate debt	**150,690**	181,233	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Asset backed securities (ABS)	**7,979**	7,547	Level 2	Discounted cash flow. Future cash flows are determined based on coupon rates ranging from 1.50% to 1.88% that reflect a combination of collateralized debt obligation (CDO) and commercial mortgage backed security (CMBS) rates with similar maturity dates and characteristics Discount rates ranging from of 1.00% to 1.13% estimated using market comparable rates from Bloomberg.	N/A
Central 1 Credit Union (Central 1) subordinated debentures	**5,989**	5,979	Level 2	Discounted cash flow. Future cash flows are determined based on coupon rates ranging from 1.50% to 2.46% that reflect a three month CDOR rate with similar maturity dates and characteristics plus an adjustment of 10 bps. Discount rates ranging from 1.00% to 1.05%, estimated using market comparable rates from Bloomberg.	N/A

in thousands of Canadian dollars

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

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

Instrument	Fair value as at 2013 $	Fair value as at 2012 $	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets (continued)					
Available-for-sale securities (continued)					
Master asset vehicles (MAV)(1)	**10**	104	Level 3	Discounted cash flow. Future cash flows based on a coupon rate ranging from 1.25% to 2.59% that reflects a CDO and Banker's Acceptance (BA) rate with similar maturity dates and similar characteristics.	Discount rate of 6.14% determined by taking the credit spread, swap rate and liquidity premium. The higher the discount rate, the lower the fair value.
Chartered banks	**785,333**	775,274	Level 2	Market comparable prices using quoted bid prices obtained from Bloomberg.	N/A
Co-operatives(2)	**1,562**	1,820	Level 2	Fair value determined by obtaining bid price from independent third party.	N/A
FVTPL securities					
MAV(1)	**22,316**	21,362	Level 3	Discounted cash flow Future cash flows based on a coupon rate ranging from 1.25% to 3.02% that reflects a CDO and BA rate with similar maturity dates and similar characteristics.	Discount rate ranging from 4.78 to 196.78% determined by taking the credit spread, swap rate and liquidity premium. The higher the discount rate, the lower the fair value.

(1) If the above unobservable input to the valuation model were 10% higher/lower while all other variables were held constant, the carrying amount of MAV securities would decrease/increase by $551.
(2) Certain co-operative securities with a carrying value at December 31, 2013 of $5,564 (2012 - $4,756) are not included in this note as these securities do not have a quoted price in an active market and the fair value cannot be reliably measured.

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

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

Instrument	Fair value as at 2013 $	2012 $	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets (continued)					
Derivative assets					
Foreign exchange contracts	**6**	2	Level 2	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates and contract forward rates.	N/A
Index-linked term deposits	**18,109**	11,997	Level 2	Discounted cash flow. Future cash flows are estimated based on observable market inputs (third party quotes, pricing on trading venues and prices for comparable transactions) and a discount rate derived from relevant market inputs for each asset class.	N/A
Financial liabilities					
Derivative liabilities					
Foreign exchange contracts	**6**	20	Level 2	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates and contract forward rates.	N/A
Index-linked term deposits	**18,109**	11,997	Level 2	Discounted cash flow. Future cash flows are estimated based on observable market inputs (third party quotes, pricing on trading venues and prices for comparable transactions) and a discount rate derived from relevant market inputs for each asset class.	N/A

There have been no transfers between Level 1 and 2 and no changes to the valuation techniques during the year.

in thousands of Canadian dollars

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

Reconciliation of Level 3 fair value measurements

	2013 $	2012 $
Level 3, beginning of year	**21,466**	23,136
Total gains (losses)		
In profit or loss	**954**	2,039
In other comprehensive income	**15**	34
Issuances	-	-
Sales/settlements	-	(3,614)
Principal payments	**(109)**	(129)
Transfer out of Level 3	-	-
Level 3, end of year	**22,326**	21,466
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**954**	1,312

Fair value of financial assets and liabilities not measured at fair value on recurring basis (but fair value disclosures are required)

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

	Carrying value		Fair value as at		Fair value hierarchy	Valuation technique(s)
	2013 $	2012 $	2013 $	2012 $		
Financial assets						
Credit union loans – fixed interest rate (1)	**39,901**	10,000	**39,909**	10,000	Level 2	Discounted cash flows based on
Commercial loans	**4,397**	5,710	**4,404**	5,720	Level 2	current market rates of interest for similar lending.
Financial liabilities						
Deposits	**1,766,974**	1,691,507	**1,770,610**	1,707,312	Level 2	Discounted cash
Loans payable	**107,593**	99,614	**107,606**	99,641	Level 2	flows based on
Notes payable	**14,995**	14,993	**14,996**	14,995	Level 2	current market rates
Subordinated debentures	**30,857**	30,792	**30,863**	30,793	Level 2	of interest for similar maturities.

(1) The fair value of variable interest rate credit union loans approximates the carrying value of $36,270 (2012 - $43,217).

5. CAPITAL MANAGEMENT

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

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

in thousands of Canadian dollars

5. CAPITAL MANAGEMENT (continued)

SaskCentral manages its capital by monitoring, on a quarterly basis, a number of regulatory requirements as prescribed by OSFI and by internal board and operational policies. Annually, SaskCentral develops a five year capital plan that is reviewed with the Audit and Risk Committee. This capital plan discusses the components of capital, the assumptions and risk factors, the capital and financial position, and provides alternatives to support organizational growth.

The Borrowing Multiple is an important measure for SaskCentral as it determines the level of borrowings to Total Regulatory Capital or the leverage in the organization. Total borrowings are comprised of total deposits, notes payable, loans payable and liabilities related to derivative contracts, excluding index linked term deposits. The Borrowing Multiple is not to exceed 20.0 times total borrowings as prescribed by OSFI. Internal board policy for this ratio is set at 17.0 times. Operationally, management targets a maximum ratio of 14.0 times.

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

	2013 $	2012 $
Capital		
Tier 1 and Tier 2 regulatory capital	**362,237**	341,278
Less deductions:		
Substantial investments	**208,289**	190,214
Assets of little value	**1,955**	1,541
Total borrowing multiple capital	**151,993**	149,523
Borrowing multiple	**12.4:1**	12.1:1

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies

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

Allowances for impairment

SaskCentral reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss SaskCentral makes judgments as to whether there is any observable evidence to suggest impairment may exist before the decrease can be identified in the loan portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the portfolios. There were no allowances for impairment in 2013.

Significant influence over Concentra Financial

Note 12 describes that Concentra Financial is an associate of SaskCentral even though SaskCentral owns 84.3% (2012 – 84.3%) of the non-voting Class A shares and 47% (2012 – 47%) of the voting membership shares of Concentra Financial. Section 52 of the CCAA prohibits Concentra Financial from being controlled by SaskCentral. The CCAA requires that Concentra Financial can only be controlled by another association and SaskCentral is not an association. SaskCentral has significant influence over Concentra Financial by virtue of its right to appoint 7 out of 15 members of the Concentra Financial Board of Directors. Also, SaskCentral is limited to a 30% or 50% vote on special resolutions brought to the members. Finally, SaskCentral is limited to 1 vote out of 235 member votes on ordinary resolutions brought to the members. Management has concluded that due to the lack of substantive rights to power, SaskCentral does not control Concentra Financial. SaskCentral cannot control the relevant activities of Concentra Financial as these decisions are made at the Board of Director and/or member level.

Significant influence over Celero Solutions

Note 12 describes that SaskCentral has significant influence over Celero Solutions by virtue of its 31.4% (2012 – 31.4%) interest in Celero Solutions. SaskCentral has the right to appoint 2 out of 7 (28.6%) members of the Celero Solutions Management Committee. Management has concluded that due to the lack of unanimous consent required to make decisions regarding relevant activities, SaskCentral does not have joint control over Celero Solutions. However, since SaskCentral has 28.6% of the voting power of Celero Solutions, management has concluded that SaskCentral has significant influence over Celero Solutions.

Control of CUVentures LP

Note 34 describes that CUVentures LP is a subsidiary of SaskCentral as a result of SaskCentral's 100% (2012 – 100%) ownership of CUVentures Inc., the General Partner. In addition, SaskCentral has the power to appoint and remove 2 out of 2 directors of CUVentures Inc. SaskCentral also owns 81.22% (2012 - 87.12%) of the partnership units of CUVentures LP. Management has concluded that SaskCentral has control over CUVentures LP since SaskCentral has 100% of the voting power of CUVentures Inc. who has the full power and authority to make all decisions on behalf of CUVentures LP.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Critical judgments in applying accounting policies (continued)

Significant influence over Saskatchewan Entrepreneurial Fund Joint Venture

CUVentures LP has 100% ownership of Saskatchewan Entrepreneurial Fund Limited Partnership (SEF LP), which has a 45.45% share in Saskatchewan Entrepreneurial Fund Joint Venture (SEF JV). Note 12 describes that SaskCentral has significant influence over SEF JV by virtue of SEF LP's 45.45% (2012 – 45.45%) interest in SEF JV. SaskCentral has the ability to appoint 2 out of 5 members (40%) to the Executive Committee of SEF JV. Management has concluded that due to the lack of unanimous consent required to make decisions, SaskCentral does not have joint control of SEF JV. However, since SaskCentral has 40% of the voting power of SEF, through CUVentures LP, management has concluded that SaskCentral has significant influence over SEF.

Classification of CUPS Payment Services as a joint operation

Note 35 describes that CUPS Payment Services (CUPS) is a joint operation by virtue of SaskCentral's 50% interest in the joint arrangement in which unanimous consent is required for decision making. The remaining 50% interest in CUPS is owned by Alberta Central. CUPS is an unincorporated joint operation structured through a separate vehicle with a contractual arrangement. This separate vehicle is an unincorporated joint venture and is not seen as a separate entity under law. An unincorporated joint venture does not offer limited liability and the assets and liabilities held in the separate vehicle are regarded legally as the assets and liabilities of SaskCentral and Alberta Central based on their proportionate share in the joint operation. The legal form of the contractual arrangement gives SaskCentral and Alberta Central rights to the assets and obligations for the liabilities, in proportion to their proportionate share in the joint operation. The contractual agreement between SaskCentral and Alberta Central states that the gross revenues, expenses and losses of the joint operation shall belong to, be owned by and borne exclusively by SaskCentral and Alberta Central in proportion to their proportionate share in the joint operation. Management has concluded that CUPS is a joint operation due to the fact that both SaskCentral and Alberta Central share proportionately the rights to the assets, obligations to the liabilities and share of profits or losses of CUPS.

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

Some of SaskCentral's financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, SaskCentral uses market-observable data to the extent it is available. Where Level 1 inputs are not available, SaskCentral utilizes valuation techniques, such as discounted cash flow models, or observable data from sources such as Bloomberg, to calculate the fair value of assets and liabilities. Where valuation techniques such as models are used to determine fair values, they are validated and periodically reviewed. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 4.

in thousands of Canadian dollars

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and investment property

As described in Note 2, SaskCentral reviews the estimated lives of property, plant and equipment and investment property at the end of each reporting period. During the current year, SaskCentral determined that the useful life of the building should be lengthened from 30 years to 40 years, due to the third-party appraisal performed during the year.

The financial effect of this reassessment, assuming the building is held until the end of its estimated useful life, is to decrease consolidated occupancy expense in the current financial year and for the next three years, by the following amounts:

	$
2013	18
2014	73
2015	73
2016	73

Income taxes

The deferred income tax liability recognized at December 31, 2013 is based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the deferred income tax liability recognized may be adjusted.

7. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash and balances with Central 1	**21,234**	9,673
Cash and balances with banks	**5,832**	7,243
Cash equivalents	**25,917**	5,000
	52,983	21,916

8. SECURITIES

SaskCentral's securities portfolio is comprised of a large number of securities carrying a variety of terms and conditions. Approximately 66.8% (2012 – 69.3%) of the portfolio bears interest at fixed rates and pays interest semi-annually and/or upon maturity. The remainder of the portfolio earns interest at variable rates and pays interest monthly or quarterly, provides a return of dividends over varying periods of time or provides an index-linked return.

in thousands of Canadian dollars

8. SECURITIES (continued)

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

	2013 $					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Available-for-sale						
Government						
Federal						
Fair value	15,035	84,594	339,852	5,002	-	444,483
Amortized cost	15,046	84,408	338,123	5,000	-	442,577
Yield (1)	0.67%	1.33%	1.54%	1.24%		1.47%
Provincial						
Fair value	68,659	104,978	310,169	9,991	-	493,797
Amortized cost	68,618	104,703	308,773	9,998	-	492,092
Yield (1)	1.35%	1.71%	1.58%	1.40%		1.57%
Municipal						
Fair value	-	-	-	-	-	-
Amortized cost	-	-	-	-	-	-
Yield (1)						
Corporate						
Corporate debt (2)	17,299	9,022	132,348	-	-	158,669
Fair value	17,306	9,019	132,897	-	-	159,222
Amortized cost	1.54%	1.49%	1.94%			1.87%
Yield (1)						
Master asset vehicle						
Fair value	-	-	-	10	-	10
Amortized cost	-	-	-	-	-	-
Yield (1)				8.94%		8.94%
Chartered banks						
Fair value	73,381	248,573	463,379	-	-	785,333
Amortized cost	73,411	247,583	461,875	-	-	782,869
Yield (1)	1.58%	2.07%	2.20%			2.10%
Co-operatives						
Fair value	-	-	-	5,989	7,126	13,115
Amortized cost	-	-	-	6,000	6,991	12,991
Yield (1)				1.38%		0.63%
Total fair value	174,374	447,167	1,245,748	20,992	7,126	1,895,407
Total amortized cost	174,381	445,713	1,241,668	20,998	6,991	1,889,751
FVTPL						
Master asset vehicle						
Fair value	-	-	21,925	391	-	22,316
Total carrying value						1,917,723
Accrued interest						9,423
						1,927,146

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

(2) corporate debt includes: commercial paper, medium-term notes

in thousands of Canadian dollars

8. SECURITIES (continued)

	2012 $					
	Term to maturity					
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No fixed maturity	Total
Available-for-sale						
Government						
Federal						
Fair value	-	60,684	275,172	4,605	-	340,461
Amortized cost	-	60,404	273,176	4,600	-	338,180
Yield (1)		1.99%	1.63%	1.35%		1.69%
Provincial						
Fair value	123,424	155,466	247,627	-	-	526,517
Amortized cost	123,430	155,169	245,201	-	-	523,800
Yield (1)	1.03%	1.64%	1.99%			1.66%
Municipal						
Fair value	-	13,835	-	-	-	13,835
Amortized cost	-	13,832	-	-	-	13,832
Yield (1)		1.34%				1.34%
Corporate						
Corporate debt (2)						
Fair value	35,251	75,596	77,933	5,979	-	194,759
Amortized cost	35,257	75,574	78,833	6,000	-	195,664
Yield (1)	1.39%	1.52%	1.85%	1.39%		1.63%
Master asset vehicle						
Fair value	-	-	-	104	-	104
Amortized cost	-	-	-	104	-	104
Yield (1)				8.94%		8.94%
Chartered banks						
Fair value	129,317	155,846	490,111	-	-	775,274
Amortized cost	129,285	155,330	485,045	-	-	769,660
Yield (1)	1.47%	2.03%	2.36%			2.14%
Co-operatives						
Fair value	-	-	-	-	6,576	6,576
Amortized cost	-	-	-	-	6,717	6,717
Yield (1)						
Total fair value	287,992	461,427	1,090,843	10,688	6,576	1,857,526
Total amortized cost	287,972	460,309	1,082,255	10,704	6,717	1,847,957
FVTPL						
Master asset vehicle						
Fair value	-	-	21,069	293	-	21,362
Total carrying value						1,878,888
Accrued interest						10,977
						1,889,865

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

in thousands of Canadian dollars

8. SECURITIES (continued)

Unrealized gains and losses on available-for-sale securities

	2013 $				2012 $			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Government	**934,669**	**4,040**	**(429)**	**938,280**	875,812	5,120	(119)	880,813
Corporate	**955,082**	**4,081**	**(2,036)**	**957,127**	972,145	6,171	(1,603)	976,713
	1,889,751	**8,121**	**(2,465)**	**1,895,407**	1,847,957	11,291	(1,722)	1,857,526

MAV, which consist of pools of assets, issued notes on January 19, 2009, to replace non-bank sponsored or third party ABCP which had experienced a liquidity event or market disruption in 2007. During the year SaskCentral received $372 (2012 - $391) of principal and interest payments on the MAV notes held. SaskCentral also sold $nil (2012 - $4,803) (par value) of MAV notes. The fair value of MAV notes held at December 31, 2013 is $22,326 (2012 - $21,466).

9. DERIVATIVE ASSETS AND LIABILITIES

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

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

Foreign exchange forward contracts are contractual obligations to buy or sell one currency against another, for settlement on the day the contract expires. A forward contract manages the risk of fluctuating exchange rates by locking in a current price for a transaction that will take place in the future. Exposure is managed through entering into forward contracts.

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

Derivatives currently held or issued are for non-trading purposes. These derivatives are used in managing SaskCentral's asset/liability activities and include investing and hedging activities.

in thousands of Canadian dollars

9. DERIVATIVE ASSETS AND LIABILITIES (continued)

Notional amounts and term to maturity

	2013 $				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Foreign exchange contracts	103	126	-	-	229
Index-linked term deposits	11,815	16,944	111,509	-	140,268
	11,918	17,070	111,509	-	140,497

	2012 $				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Foreign exchange contracts	69,800	124	229	-	70,153
Index-linked term deposits	15,374	16,062	120,094	-	151,530
	85,174	16,186	120,323	-	221,683

Fair value of derivative instruments

	2013 $		2012 $	
	Positive	Negative	Positive	Negative
Foreign exchange contracts	6	6	2	20
Index-linked term deposits	18,109	18,109	11,997	11,997
	18,115	18,115	11,999	12,017

Amounts Expected to be Recovered or Settled

	2013 $		2012 $	
	Positive	Negative	Positive	Negative
Within 12 months	6,844	6,844	673	691
After 12 months	11,271	11,271	11,326	11,326
	18,115	18,115	11,999	12,017

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

in thousands of Canadian dollars

9. DERIVATIVE ASSETS AND LIABILITIES (continued)

SaskCentral is exposed to credit related losses in the event of non-performance by the counterparties to derivative contracts. SaskCentral's credit exposure on the foreign exchange forward contracts is limited to the positive replacement cost (fair value) of the instruments as this represents the cost to replace these contracts at prevailing market rates if a default occurred. SaskCentral mitigates exposures by limiting the counterparties to foreign exchange forward contracts to credit worthy Canadian financial institutions. In determining the credit quality of derivative instruments both SaskCentral's own credit risk and the risk of the counterparty are considered elements of the credit quality.

Credit risk is measured by using a credit equivalent amount. The credit equivalent amount is derived from the sum of the positive replacement cost and the potential credit risk exposure which reflects the potential change in replacement cost in relation to the remaining term to maturity of the contract. The risk-weighted amount is determined by applying standard measures of counterparty risk to the credit equivalent amount.

The following table provides information in relation to SaskCentral's credit risk exposure for derivative financial transactions. Positive replacement cost is derived from the fair value of derivative financial instruments [Note 4]. Potential credit risk exposure and risk-weighted equivalents are calculated in accordance with the capital adequacy guidelines as prescribed by OSFI.

	2013 $	2012 $
Notional amounts	229	70,153
Positive replacement cost	6	2
Potential credit risk exposure	2	711
Credit equivalent amount	8	713
Risk-weighted equivalent	2	143

10. LOANS

	2013 $	2012 $
Credit union	76,091	53,196
Commercial loans	4,397	5,710
	80,488	58,906
Accrued interest	80	21
	80,568	58,927

Approximately 44.96% (2012 – 73.33%) of the total loan portfolio bears interest at variable rates.

in thousands of Canadian dollars

10. LOANS (continued)

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

	2013 $				
	Within 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
Credit union					
Amortized cost ($)	76,091	-	-	-	76,091
Rate (%)	1.99%				1.99%
Commercial loans					
Amortized cost ($)	4,397	-	-	-	4,397
Rate (%)	3.00%				3.00%
Amortized cost	80,488	-	-	-	80,488

	2012 $				
	Within 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
Credit union					
Amortized cost ($)	53,196	-	-	-	53.196
Rate (%)	2.40%				2.40%
Commercial loans					
Amortized cost ($)	5,710	-	-	-	5,710
Rate (%)	3.00%				3.00%
Amortized cost	58,906	-	-	-	58,906

11. OTHER ASSETS

	2013 $	2012 $
Prepaid and deferred costs	595	692
Inventory	91	82
	686	774

in thousands of Canadian dollars

12. INVESTMENTS IN ASSOCIATES

Concentra Financial

At December 31, 2013, SaskCentral owns 84.3% (2012 – 84.3%) of the non-voting Class A shares and 47% (2012 – 47%) of the voting membership shares of Concentra Financial. Concentra Financial provides financial intermediation and trust services to Canadian credit unions and associated commercial and retail customers. Concentra Financial's registered place of business is Saskatoon, Saskatchewan.

Celero Solutions

At December 31, 2013, SaskCentral has a 31.4% (2012 – 31.4%) interest in Celero Solutions, an arrangement between SaskCentral, Alberta Central and Manitoba Central for the purpose of providing information technology (IT) services including developing new IT services and providing technology-based products. Celero Solutions' registered place of business is Calgary, Alberta.

SEF JV

At December 31, 2013, SaskCentral has a 45.45% (2012 – 45.45%) interest in SEF JV, which was created to undertake and carry out the investment and deployment of capital to small and mid-sized businesses in Saskatchewan requiring less than $1 million in capital. SEF JV's principal place of business is Regina, Saskatchewan.

SaskCentral accounts for the above investments in associates using the equity method in these consolidated financial statements. Related party transactions for these investees, if any, are disclosed in Note 31.

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

	Assets $	Liabilities $	Revenue $	Profit (loss) $	Other comprehensive income (loss) $	Total comprehensive income (loss) $
2013						
Concentra Financial	**6,058,077**	**5,780,755**	**208,761**	**26,623**	**(1,810)**	**24,813**
Celero Solutions	**34,236**	**25,552**	**78,508**	**257**	**-**	**257**
SEF JV	**6,776**	**246**	**663**	**418**	**-**	**418**
	6,099,089	**5,806,553**	**287,932**	**27,298**	**(1,810)**	**25,488**
2012						
Concentra Financial	5,820,128	5,562,521	222,184	31,960	(5,540)	26,420
Celero Solutions	37,748	31,302	79,971	(1,848)	-	(1,848)
SEF JV	7,214	233	835	585	-	585
	5,865,090	5,594,056	302,990	30,697	(5,540)	25,157

in thousands of Canadian dollars

12. INVESTMENTS IN ASSOCIATES (continued)

A reconciliation of the above summarized financial information to the carrying amount of the interest in associates recognized in the consolidated financial statements is provided below.

	2013 $		
	Concentra Financial	Celero Solutions	SEF JV
Net assets of the associate	277,322	8,684	6,530
Proportion of SaskCentral's ownership interest	84.3%	31.4%	45.45%
Goodwill	(19,248)	-	-
Other adjustments	(3,052)	35	(341)
Carrying amount of SaskCentral's interest in associates	211,482	2,762	2,627

	2012 $		
	Concentra Financial	Celero Solutions	SEF JV
Net assets of the associate	257,607	6,446	6,981
Proportion of SaskCentral's ownership interest	84.3%	31.4%	45.45%
Goodwill	(19,248)	-	-
Other adjustments	(2,984)	(14)	-
Carrying amount of SaskCentral's interest in associates	194,931	2,010	3,173

During the period, SaskCentral received the following distributions from its investments in associates:

	2013 $	2012 $
Concentra Financial	5,615	5,615
Celero Solutions	-	308
SEF JV	768	172
	6,383	6,095

in thousands of Canadian dollars

13. PROPERTY, PLANT AND EQUIPMENT

2013 $	Land	Building	Furniture and equipment	Total
Cost				
Balance as at January 1	859	10,796	3,525	15,180
Additions	-	396	336	732
Disposals	-	-	(198)	(198)
Transfers	-	(841)	841	-
Ending Balance as at December 31	859	10,351	4,504	15,714
Accumulated Depreciation				
Balance as at January 1	-	7,739	3,186	10,925
Depreciation charges	-	315	274	589
Disposals	-	-	(198)	(198)
Transfers	-	(740)	740	-
Ending Balance as at December 31	-	7,314	4,002	11,316
Carrying Value as at December 31	859	3,037	502	4,398

2012 $	Land	Building	Furniture and equipment	Total
Cost				
Balance as at January 1	859	10,405	4,698	15,962
Additions	-	543	267	810
Disposals	-	(152)	(1,440)	(1,592)
Ending Balance as at December 31	859	10,796	3,525	15,180
Accumulated Depreciation				
Balance as at January 1	-	7,546	4,421	11,967
Depreciation charges	-	345	205	550
Disposals	-	(152)	(1,440)	(1,592)
Ending Balance as at December 31	-	7,739	3,186	10,925
Carrying Value as at December 31	859	3,057	339	4,255

in thousands of Canadian dollars

14. INVESTMENT PROPERTY

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

	2013 $	2012 $
Cost		
Balance as at January 1	**11,449**	11,449
Ending Balance as at December 31	**11,449**	11,449
Accumulated Depreciation		
Balance as at January 1	**813**	542
Depreciation charges	**247**	271
Ending Balance as at December 31	**1,060**	813
Carrying Value as at December 31	**10,389**	10,636

The fair value of SaskCentral's investment property at December 31, 2013 is $29,309 (2012 - $11,563). The fair value of the investment property has been arrived at on the basis of a valuation completed by B.R. Gaffney and Associates, independent valuers not related to SaskCentral. In previous years, the fair value was determined based on a third-party valuation performed in 2008 adjusted for an inflation factor consistent with the factor used by the City of Regina for their property tax assessments. B.R. Gaffney and Associates are members of the Appraisal Institute of Canada and have the appropriate professional qualifications and experience in valuing properties in the relevant locations.

The fair value was determined using an income approach, with support provided by the cost approach and direct comparison approach. The estimate of fair value by B.R. Gaffney and Associates was developed based on current and future income that could be generated by the investment property through rents based on estimated market rates. There has been no change to the valuation technique during the year. In estimating the fair value of the investment property, the highest and best use of the investment property is the current use. A summary of inputs (Level 3) used to calculate fair value is provided below:

Income approach	2013
Rent per square foot (in actual Canadian dollars)	**$8 - $18**
Parking rate per month (in actual Canadian dollars)	**$210**
Vacancy rate	**5%**
Capitalization rate	**7.5%**

In 2013, investment property generated rental income of $3,200 (2012 - $3,008). Direct operating expenses recognized in the consolidated income statement were $1,836 (2012 - $1,857).

in thousands of Canadian dollars

15. INTANGIBLE ASSETS

2013 $	Computer Software	Intangible Assets under Development	Total
Cost			
Balance as at January 1	4,213	813	5,026
Additions	60	23	83
Disposals	-	-	-
Ending Balance as at December 31	4,273	836	5,109
Accumulated Amortization			
Balance as at January 1	2,990	807	3,797
Amortization charges	449	5	454
Disposals	-	-	-
Ending Balance as at December 31	3,439	812	4,251
Carrying Value as at December 31	834	24	858

2012 $	Computer Software	Intangible Assets under Development	Total
Cost			
Balance as at January 1	4,228	813	5,041
Additions	-	-	-
Disposals	(15)	-	(15)
Ending Balance as at December 31	4,213	813	5,026
Accumulated Amortization			
Balance as at January 1	2,502	802	3,304
Amortization charges	503	5	508
Disposals	(15)	-	(15)
Ending Balance as at December 31	2,990	807	3,797
Carrying Value as at December 31	1,223	6	1,229

16. INCOME TAXES

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

	2013 $	2012 $
Deferred income tax expense		
Origination and reversal of temporary differences	6,001	6,164
	6,001	6,164

in thousands of Canadian dollars

16. INCOME TAXES (continued)

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

	2013 $	2012 $
Net unrealized gains on available-for-sale securities		
Deferred income tax recovery	(1,062)	(2,106)
	(1,062)	(2,106)
Reclassification of gains on available-for-sale securities to income		
Deferred income tax recovery	(200)	(95)
	(200)	(95)
	(1,262)	(2,201)

Income taxes are included in the consolidated statement of changes in equity as follows:

	2013 $	2012 $
Reduction in income taxes due to payment of dividends		
Deferred income tax recovery	(2,203)	(2,207)
	(2,203)	(2,207)

Dividends, which are reflected in retained earnings, are normally deductible in determining current income subject to tax. The reduction in income tax resulting from the payment of dividends deductible in determining income subject to tax is reflected in retained earnings.

Total income tax reported in the consolidated financial statements:

	2013 $	2012 $
	2,536	1,756

Reconciliation of income tax expense from continuing operations:

	2013 $	2012 $
Combined federal and provincial income tax rate applied to income from Continuing operations (2013 – 27%; 2012 – 27%)	8,657	9,228
Income tax expense adjusted for the effect of:		
Non-taxable dividend income	(182)	(64)
Rate reduction relating to equity income	(2,475)	(2,877)
Expenses not deductible for tax purposes	28	(123)
Adjustments related to prior periods	(27)	-
	6,001	6,164

in thousands of Canadian dollars

16. INCOME TAXES (continued)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 21% (2012 - 22%). The movement in deferred income tax liability is as follows:

	2013 $	2012 $
Balance, beginning of year	**6,595**	4,839
Recognized in profit or loss	**6,001**	6,164
Available-for-sale securities:		
Fair value measurement	**(1,062)**	(2,106)
Transfer to profit or loss	**(200)**	(95)
Recognized in retained earnings	**(2,203)**	(2,207)
Balance, end of year	**9,131**	6,595

The components of deferred income taxes are as follows:

	2013 $	2012 $
Deferred income tax assets		
Non capital loss carryforward	**7,564**	7,761
Accounts payable and deferred revenue	**80**	36
Losses not yet deductible for tax purposes	**337**	691
Other	**13**	94
	7,994	8,582
Deferred income tax liabilities		
Securities	**(16,181)**	(14,123)
Property, plant and equipment	**(944)**	(1,054)
	(17,125)	(15,177)
Net deferred income tax asset (liability)	**(9,131)**	(6,595)

	2013 $	2012 $
Deferred income tax assets		
Recoverable after more than 12 months	**7,901**	8,452
Recoverable within 12 months	**93**	130
	7,994	8,582
Deferred income tax liabilities		
Payable after more than 12 months	**(17,125)**	(15,177)
	(17,125)	(15,177)
Net deferred income tax asset (liability)	**(9,131)**	(6,595)

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related tax benefit is probable. SaskCentral has non-capital loss carryforwards of $28,016 (2012 - $28,744) which are available to offset future taxable income. The balance of these loss carryforwards will expire in the year 2028 ($15,273), 2030 ($11,167) and 2032 ($1,576). The benefit of the tax losses has been recognized in SaskCentral's financial statements as realization of the related tax benefit is probable.

in thousands of Canadian dollars

17. DEPOSITS

Provincial Liquidity Program

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

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

2013
$

	Term to maturity						
	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No Fixed Maturity	Total
Member							
Amortized Cost	151,138	-	-	-	-	-	151,138
Yield (1)	0.05%						0.05%
Provincial liquidity program							
Amortized Cost	-	89,509	185,984	639,378	-	696,938	1,611,809
Yield (1)		1.74%	1.50%	1.62%		1.19%	1.43%
	151,138	89,509	185,984	639,378	-	696,938	1,762,947
Accrued interest							4,027
							1,766,974

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

2012
$

	Term to maturity						
	On Demand	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No Fixed Maturity	Total
Member							
Amortized cost	156,859	-	-	20,000	-	-	176,859
Yield (1)	0.03%			0.89%			0.12%
Provincial liquidity program							
Amortized cost	-	100,535	237,192	474,421	-	698,350	1,510,498
Yield (1)		1.60%	1.71%	1.63%		1.32%	1.50%
	156,859	100,535	237,192	494,421	-	698,350	1,687,357
Accrued interest							4,150
							1,691,507

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

Interest rates on deposits are determined by market conditions.

in thousands of Canadian dollars

18. LOANS PAYABLE

SaskCentral has $1,200,000 (2012 – $1,200,000) of available credit facilities related to securities repurchase agreements. These repurchase agreements mature within 1 month (2012 – 1 month) and had a weighted average effective interest rate of 1.05% (2012 – 1.06%).

In addition, SaskCentral has a credit facility with Central 1 for $100,000 (2012 - $100,000) for which SaskCentral has pledged securities with the Bank of Canada to support the group clearing agreement (Note 32). The balance of the credit facility is unsecured, ranking equally with the deposit obligations of SaskCentral.

	Loans payable		Collateral			
			Securities pledged			
			Fair value		Carrying value	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Repurchase payable	**106,422**	57,035	**106,459**	56,954	**105,211**	56,754
Central 1 line of credit	**1,171**	42,579	**336,912**	310,237	**335,533**	306,935
	107,593(1)	99,614(1)	**443,371**	367,191	**440,744**	363,689

(1) Weighted average effective interest rates based on year-end carrying values is 1.05% (2012 - 1.03%).

19. NOTES PAYABLE

SaskCentral is authorized to issue a maximum of $300,000 (2012 - $300,000) under a commercial paper program. Outstanding commercial paper matures within one month (2012 – one month) and at December 31, 2013 has a weighted average effective interest rate of 1.20% (2012 – 1.19%).

20. SUBORDINATED DEBENTURES

The Series One convertible subordinated debentures, $30,000 (2012 - $30,000) were issued January 31, 2001, are unsecured and subordinated to deposits and other liabilities of SaskCentral. Interest is payable at an annual rate set on January 1 of each year equal to the most recent average one-year treasury bill auction rate as announced by the Bank of Canada, plus 1.75% (2.87% at December 31, 2013; 2.64% at December 31, 2012). The maturity date of the debentures is January 2016. The debentures are redeemable, at the option of SaskCentral and subject to the approval of OSFI. The debenture holders have a right to convert the debentures, subject to the approval of OSFI, into qualifying investment shares if SaskCentral issues such investment shares in the future. These debentures qualify as Tier 2 capital.

21. SHARE CAPITAL

Under the Act, SaskCentral is authorized to issue an unlimited number of membership shares.

Each member of SaskCentral must own at least one membership share and each member has one vote. The holders of membership shares are Saskatchewan credit unions and certain co-operative associations.

SaskCentral's bylaws require credit unions maintain membership share capital in SaskCentral at 1% of their previous year's assets. SaskCentral has the discretion to make this annual true-up in whole or in part. SaskCentral would not exercise this authority to require additional membership share capital contributions unless the SaskCentral capital plan indicated a projected borrowing multiple in excess of 15.0:1 in the subsequent year. In that case, SaskCentral would only exercise this authority to the extent that the required contribution would bring the projected borrowing multiple to 15.0:1 or to 1.0% of system assets, whichever was first met.

in thousands of Canadian dollars

21. SHARE CAPITAL (continued)

Membership shares may be redeemed only with the approval of the Board subject to the limits provided in the Act. The redemption price is determined with reference to the bylaws of SaskCentral. In accordance with the bylaws of SaskCentral, membership shares are to be issued and redeemed at $10 per share.

Issued share capital is comprised of 13,238,500 membership shares at December 31, 2013 (2012 – 12,860,000). Membership shares issued during the year were exchanged for cash.

22. DIVIDENDS

In 2013, dividends of $8,160 (2012 - $8,170) were declared, as approved by the Board. Two cash dividends were paid to credit unions in 2013. The first was in March for $2,545 (2012 - $2,570) and the second in June for $5,615 (2012 - in October for $5,600).

23. DUES

Dues, which are included in non-interest income, are used to fund various products and services designed for credit unions. Saskatchewan credit unions pay an annual dues assessment fee to SaskCentral based on a charge per membership (50% of the dues assessment) and a charge on assets (50% of the dues assessment).

24. FEE FOR SERVICE

	2013 $	2012 $
Consulting fees	**939**	641
CUPS fee for service revenue	**10,569**	10,896
Fee for service revenue	**5,700**	6,385
Foreign exchange revenue (expense)	**(94)**	130
Marketing and promotional sales	**598**	669
Miscellaneous revenue	**190**	369
Parking revenue	**279**	239
Tenant revenue	**4,282**	4,252
Unrealized and realized losses on foreign exchange	**(86)**	(14)
	22,377	23,567

25. SALARY AND EMPLOYEE BENEFITS

	2013 $	2012 $
Contributions to defined contribution plans	**617**	614
Employee training and development	**198**	259
Other employee benefits	**824**	865
Salaries and incentive compensation	**13,332**	13,738
	14,971	15,476

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

in thousands of Canadian dollars

26. PROFESSIONAL AND ADVISORY SERVICES

	2013 $	2012 $
Concentra Financial consulting fees	673	564
Credit Union Central of Canada (CUCC) cost sharing	1,162	1,647
CUPS professional fees	1,235	1,181
Professional fees	4,540	4,478
	7,610	7,870

27. COMPUTER AND OFFICE EQUIPMENT

	2013 $	2012 $
Depreciation	619	663
Computer processing and development	2,765	2,422
Maintenance	24	174
	3,408	3,259

28. OCCUPANCY

	2013 $	2012 $
Depreciation and amortization	671	666
CUPS facility charges	670	693
Maintenance	895	886
Professional fees	329	305
Property taxes and utilities	992	1,083
	3,557	3,633

29. GENERAL BUSINESS

	2013 $	2012 $
Administrative and service costs	2,547	2,495
Insurance and licenses	173	150
Inventory and promotional supplies	399	434
Marketing and public relations	391	494
Printing, office supplies and telephone	561	753
Rental and meeting expense	116	181
Travel and entertainment	663	822
	4,850	5,329

in thousands of Canadian dollars

30. GAIN ON FINANCIAL INSTRUMENTS

	2013 $	2012 $
Realized gains on available-for-sale securities	1,434	548
Realized losses on available-for-sale securities	(572)	(76)
Realized gains on securities classified as held-for-trading	-	742
Realized losses on securities classified as held-for-trading	-	(15)
Unrealized gains on securities classified as held-for-trading	954	1,312
Realized loss on deposits	(71)	-
ABCP settlement received	731	-
Gain on financial instruments	2,476	2,511

31. RELATED PARTY TRANSACTIONS

Related parties exist when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other or is a member of the key management personnel of SaskCentral. SaskCentral defines key management personnel as directors and the management positions of Chief Executive Officer, Executive Vice-President Finance / Chief Financial Officer / Chief Risk Officer, Executive Vice-President Market Solutions / Chief People Officer, Associate Vice-President Finance, Associate Vice-President Market Solutions, Associate Vice-President Strategic Initiatives, and Associate Vice-President Government & Public Affairs.

Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Related party loan balances are included with groups of loans with similar credit risk characteristics when assessing collective allowances. Balances and transactions between SaskCentral, its subsidiaries and jointly controlled entities, which are related parties of SaskCentral, have been eliminated on consolidation and are not disclosed in this note.

SaskCentral provides a variety of services to Concentra Financial, Credit Union Deposit Guarantee Corporation (CUDGC) and Celero Solutions. Some of the services provided include facility services, internal audit services, accounting and reporting services and financial services. SaskCentral also receives financial services from Concentra Financial and technology services from Celero Solutions.

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

	2013 $	2012 $
CUDGC		
Lines of credit authorized to	12,000	12,000
Fair value of investments pledged against lines of credit	12,135	12,262
Deposits payable to	596	649
Due from included in trade and other receivables	-	26
Interest paid to	301	322
Fee for service revenue received from	751	683
Celero Solutions		
Loan receivable from (amount drawn on line of credit)	4,409	5,725
Due from included in trade and other receivables	123	218
Due to included in trade and other payables	587	220
Interest received from	152	180
Fee for service revenue received from	1,363	1,511
Technology services paid to	2,800	2,710

in thousands of Canadian dollars

31. RELATED PARTY TRANSACTIONS (continued)

	2013 $	2012 $
Concentra Financial		
Lines of credit authorized to	**100,000**	75,000
Loans receivables from (amount drawn on line of credit)	**-**	22,861
Cash collateral received from	**-**	20,000
Due from included in trade and other receivables	**171**	143
Deposits payable to	**70,897**	-
Due to included in trade and other payables	**34**	34
Interest received from	**75**	138
Interest payable to	**-**	178
Interest paid to	**214**	-
Fee for service revenue received from	**1,374**	1,261
Financial services fees paid to	**804**	644

Key Management Compensation

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

	2013 $	2012 $
Directors		
Salaries and other short-term employee benefits	**349**	388
Post-employment benefits	**12**	12
	361	400
Key Management Personnel		
Salaries and other short-term employee benefits	**2,414**	2,652
Post-employment benefits	**633**	390
	3,047	3,042
	3,408	3,442

32. COMMITMENTS

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

	2013 $	2012 $
Lines of credit and loan commitments		
Original term to maturity of one year or less	**387,111**	371,266
Original term to maturity of more than one year	**400,000**	400,000
	787,111	771,266
Letters of credit and guarantees		
Original term to maturity of one year or less	**36**	1,258
	36	1,258

in thousands of Canadian dollars

32. COMMITMENTS (continued)

Group Clearing Agreement

Under the group clearing agreement, SaskCentral guarantees and indemnifies the Group Clearer and each member of the Canadian Central group clearing agreement against any losses arising from the payment obligation for settlement drawn on or payable by SaskCentral and its member credit unions. In addition, SaskCentral and its member credit unions abide by the Canadian Payments Association's rules, bylaws and procedures for settlement.

33. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

SaskCentral's financial assets and financial liabilities that have the right of offset under an enforceable master netting arrangements or similar arrangements are outlined below.

Based on the written agreement between Concentra and SaskCentral, Concentra can settle their accounts with SaskCentral on a net basis daily. In practice, on a daily basis Concentra nets their overdraft position against their deposit accounts held with SaskCentral, for both Canadian and US amounts separately. As a result, the operating accounts' balance at December 31, 2013 consists of a netted deposit balance of $70,897 (2012 – loan balance of $22,861). On December 16, 2013 an amendment to the original agreement was signed which resulted in replacing the $20,000 cash deposit previously held by SaskCentral as cash collateral with securities pledged to SaskCentral. As at December 31, 2013 the fair value of the financial assets accepted as collateral is $28,136.

			2013 $		
Description of types of financial instruments	**Gross amounts of recognized financial assets (liabilities)**	**Gross amounts of recognized financial assets (liabilities) offset in the consolidated balance sheet**	**Net amounts of financial assets (liabilities) presented in the consolidated balance sheet**	**Cash collateral (received) pledged not offset in the consolidated balance sheet**	**Net amount**
Loans (Deposits)	(251,557)	180,660	(70,897)	-	(70,897)

			2012 $		
Description of types of financial instruments	**Gross amounts of recognized financial assets (liabilities)**	**Gross amounts of recognized financial assets (liabilities) offset in the consolidated balance sheet**	**Net amounts of financial assets (liabilities) presented in the consolidated balance sheet**	**Cash collateral (received) pledged not offset in the consolidated balance sheet**	**Net amount**
Loans (Deposits)	(322,657)	345,518	22,861	(20,000)	2,861

in thousands of Canadian dollars

34. SUBSIDIARY

SaskCentral owns 81.22% (2012 – 87.12%) of the partnership units of CUVentures LP. Through its 100% ownership of CUVentures Inc., SaskCentral has control over CUVentures LP and CUVentures LP is consolidated into these financial statements. CUVentures LP principal place of business is Regina, Saskatchewan. CUVentures LP owns an investment in APEX Investment LP (APEX) on behalf of the credit unions, which SaskCentral consolidates and classifies as non-controlling interest in these consolidated financial statements. The credit unions have no voting rights in relation to the relevant decisions of CUVentures LP.

35. JOINT OPERATION

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

36. SASKCENTRAL CONTINUANCE INITIATIVE

SaskCentral is seeking a change from provincial to federal incorporation. In 2011, the members of SaskCentral approved a special resolution authorizing SaskCentral to proceed with an application to the Minister of Finance (Canada) for Letters Patent of Continuance as an association under the *Cooperative Credit Associations Act*. The application was submitted to OSFI in July 2011. Discussions with OSFI have continued into 2013.

As a federal association, SaskCentral would be positioned to work toward its long term direction, a nationally unified and internationally capable co-operative financial network. A federal association would provide an improved corporate structure that could be used to facilitate mergers or partnerships with other provincial centrals or credit union service providers, it could provide a national company with the scope and scale necessary to provide services to a federal credit union, and it would provide an open holding structure for substantial investment in other federal associations.

37. PRIOR PERIOD ERROR

During 2013, an error was discovered in relation to the reclassification of gains on available-for-sale securities disposed of in the year. In 2010 and 2011 numerous MAV notes were redeemed, unwound or sold and as a result the unrealized gains on these securities should have been reclassified to income. This error has been corrected in these restated consolidated financial statements.

The impact of correcting this error on the consolidated financial statements is as follows:

Financial statement item	January 1, 2012 as restated $	January 1, 2012 as reported $
Retained earnings	175,471	172,400
Accumulated other comprehensive income	21,494	24,565

38. APPLICATION OF NEW AND REVISED IFRSs

In the current year, SaskCentral has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

SaskCentral has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (IAS 1) for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed 'the statement of profit or loss and other comprehensive income' and the 'statement of income' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present the profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not results in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IFRS 7 Disclosures – *Offsetting Financial Assets and Financial Liabilities*

SaskCentral has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* (IFRS 7) for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights to offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting arrangement or similar arrangement.

The amendments have been applied retrospectively. See Note 33 for disclosure on the offsetting arrangement currently in place.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements* (IFRS 10), IFRS 11 *Joint Arrangements* (IFRS 11), IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27 (as revised in 2011) *Separate Financial Statements* (IAS 27) and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures* (IAS 28). Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to classify certain transitional guidance on the first-time application of the standards.

In the current year, SaskCentral has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to SaskCentral as it only deals with separate financial statements.

The impact of the application of these standards is set out below.

38. APPLICATION OF NEW AND REVISED IFRSs (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC -12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its investee and c) has the ability to use the power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 deals with whether or not an investor that owns more than 50% of the voting rights in an investee but does not have control over the investee is relevant to SaskCentral.

As outlined in Note 12, SaskCentral owns 84.3% (2012 – 84.3%) of the non-voting Class A shares and 47% (2012 – 47%) of the voting membership shares of Concentra Financial. Management of SaskCentral made an assessment as at the date of initial application (i.e. January 1, 2013) as to whether or not SaskCentral has control over Concentra Financial in accordance with the new definition of control and the related guidance set out in IFRS 10. Management has concluded that SaskCentral does not have control over Concentra Financial due to the fact that SaskCentral does not have the power to control Concentra Financial's relevant activities. SaskCentral's investment in Concentra remains accounted for under the equity method as SaskCentral has the power to participate in decisions regarding relevant activities of Concentra Financial but does not control these decisions.

Note 34 describes that CUVentures LP is a subsidiary of SaskCentral as a result of the 100% ownership of CUVentures Inc., the General Partner. In addition, SaskCentral has the power to appoint and remove 2 out of 2 directors of CUVentures Inc. Management has concluded that SaskCentral has control over CUVentures LP and as a result CUVentures LP is included in these consolidated financial statements. This treatment is consistent with that prior to the application of IFRS 10.

Since no changes were required with the application of IFRS 10 to the investment in Concentra Financial or CUVentures LP there were no transition adjustments to these consolidated financial statements.

Impact of application of IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* (IAS 31), and the guidance contained in a related interpretation, SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Previously, IAS 31 contemplated three types of joint arrangement – jointly control entities, jointly controlled operations and joint controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

38. APPLICATION OF NEW AND REVISED IFRSs (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of application of IFRS 11 (continued)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each SaskCentral recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output of the joint operation) and its expenses (including its share of any expenses incurred jointly). SaskCentral accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

Management of SaskCentral reviewed and assessed the classification of SaskCentral's investments in joint arrangements in accordance with the requirements of IFRS 11. Management concluded that SaskCentral's investment in CUPS, which was classified as a jointly controlled entity under IAS 31 and was accounted for using the proportionate consolidation method, should be classified as a joint operation under IFRS 11 and accounted for by recording the assets, liabilities, revenues and expenses relating to SaskCentral's interest in CUPS in SaskCentral's consolidated financial statements. This did not result in a change the amount of assets, liabilities, revenues and expenses SaskCentral recognized in the consolidated financial statements.

Impact of Application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 2, 6, 12, 34 and 35 for details).

IFRS 13 *Fair Value Measurement*

SaskCentral has applied IFRS 13 *Fair Value Measurement* (IFRS 13) for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for measurements that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability to an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS is an exit price regardless of whether that price is directly observable or estimated using another value technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with the transitional provisions, SaskCentral has not made any new disclosures required by IFRS 13 for the 2012 comparative period (see Notes 2, 4, 6 and 14 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

38. APPLICATION OF NEW AND REVISED IFRSs (continued)

IAS 19 *Employee Benefits* (as revised in 2011)

In the current year, SaskCentral has applied IAS 19 *Employee Benefits (as revised in 2011)* (IAS 19) and the related consequential amendments for the first time. IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. Note 2 and 25 describes that SaskCentral contributes annually to a defined contribution pension plan and SaskCentral does not participate in a defined benefit pension plan. As such, the amendments to IAS 19 relating to defined benefit plans do not apply to SaskCentral. There were no material changes as a result of the application of IAS 19 (2011).

39. SUBSEQUENT EVENT

OSFI approved the request made by the SaskCentral Board for the early redemption of the subordinated debentures described in Note 20, effective January 31, 2014. Interest earned on the subordinated debentures will be paid up to the redemption date.

40. COMPARATIVE INFORMATION

In addition to the prior period error as described in Note 37, certain comparative figures have been reclassified to conform to the current year's presentation.

SASKCENTRAL®

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