



# Deposit Protection and Regulatory Excellence

## MANDATE

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral), together, Provincially Regulated Financial Institutions or "PRFIs", as directed in provincial legislation – *The Credit Union Act, 1998* (the CU Act) and *The Credit Union Central of Saskatchewan Act, 2016* (the CUCS Act). The Corporation instills confidence in the province's credit union system with a mandate of:

- guaranteeing the repayment of deposits in Saskatchewan credit unions;
- establishing regulatory standards and ensuring PRFIs are performing to those standards;
- promoting responsible governance by PRFIs and contributing to the strength and stability of the credit union system;
- directing PRFIs to take remedial action on material deficiencies and any issue that may put depositors' funds at risk; and,
- maintaining and managing a guarantee fund in a sound and prudent manner.

## VISION

To instill public confidence in the Saskatchewan credit union system.

## VALUES

Values guide individual and organizational behaviour. The Corporation's values are reflected in its Code of Conduct which provides a common frame of reference for staff, management and the board in fulfilling the Corporation's mandate and strategic focus.

**Co-operation:** As part of the co-operative financial services system, we respect co-operative principles and support credit unions and SaskCentral in enhancing their strength and development by working together.

**Honesty and Integrity:** We perform our duties conscientiously with the highest level of honesty and professional integrity.

**Fairness:** We approach issues and decisions with common sense, sound judgment, fairness and consistency.

**Responsible Regulation:** We act to protect the rights and interests of Saskatchewan depositors. We strike an appropriate regulatory balance that effectively protects depositors without unduly impairing a credit union's ability to compete in the market.

**Leadership:** We use our knowledge of the credit union system and the financial services industry to anticipate future trends and proactively respond to our environment. We demonstrate leadership provincially and nationally by advocating positive change that contributes to the strength and stability of PRFIs.

**Teamwork and Respect:** We work as a team to achieve goals and progress towards our common vision. We recognize that people are the key to success. We consistently treat people with dignity, respect, fairness and the highest standards of ethics. We demonstrate co-operation when working with others, encouraging questions that generate innovative ideas and creative solutions.

## STRATEGIC DIRECTION

To ensure the effective regulation of the Saskatchewan credit union system by continuing to adhere to national and international best practices. To promote and lead discussions with our stakeholders regarding emerging issues and the changing environment. The Corporation will continue to be flexible and adaptive.

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## REPORT FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present the 2021 Annual Report for Credit Union Deposit Guarantee Corporation of Saskatchewan (the Corporation). The Corporation

provides an unlimited guarantee for Saskatchewan credit union deposits and promotes responsible governance by credit unions and SaskCentral, which contributes to the strength and stability of our provincial system.

In 2021, the Corporation faced the demands of responding to the ongoing global pandemic while successfully achieving our business plan and navigating a rapidly changing economy. Accordingly, the board continues to focus on the need to monitor economic, pandemic and other environmental conditions and review potential impacts to the Corporation and the credit union system. In addition, we remain committed to ensuring the Corporation has strong governance and business practices, including the values of cooperation, honesty, integrity, fairness, responsible regulation, leadership, teamwork and respect.

Our board and executive strategic planning session, held in April 2021, focused on the Corporation's principle risks, associated risk mitigation strategies and the risk management framework. The session included presentations from four system stakeholders, sharing their perspectives of the financial marketplace credit unions operate in. Key themes included drivers for federalization, possible changes to the statutory liquidity framework, impacts of the pace of change on the level of monitoring needed for various risks and fine-tuning of the Corporation's prudential model. Our strong governance and business practices allow us to continue to respond in a constantly changing environment. As board members, we provide oversight for an organization whose purpose is to instill public confidence in the Saskatchewan credit union system. Each year, the board evaluates its efforts and uses the results as an indicator of leadership effectiveness to identify opportunities for development or enhancements to the Corporation's governance practices.

Saskatchewan's credit unions demonstrated ongoing financial strength and stability with positive results, despite continued uncertainty in the provincial economy and the energy and agriculture sectors. Credit unions currently hold deposits in excess of \$24 billion and maintained strong earnings, capital and liquidity levels in 2021, comparing very favourably with the broader industry and credit unions in other provinces. The Corporation continues to place focus on our Provincial Systemically Important Financial Institutions (P-SIFIs), specifically, SaskCentral, Affinity Credit Union and Conexus Credit Union through increased monitoring and engagement.

I would like to acknowledge some changes and loss experienced on our Board in 2021. Long serving board member and a former Board Chair, Dan Ish, completed his current term and has chosen to step away. In addition, Dave Tulloch, the board's representative from the Ministry of Justice, took on new responsibilities at the Saskatchewan provincial government and left the board at yearend. The Corporation would like to thank both Dan and Dave for their dedication and service to the board.

In September 2021, Greg Wallace, the Corporation's Board Chair, passed away. Greg Wallace was a board member from January 2017 to September 2021. His leadership in supporting the Corporation to achieve its mandate, his knowledge of the Saskatchewan credit union system, and his appreciation for the work of the Corporation will be missed by board members and employees.

This past year, the Corporation accomplished significant progress towards the business plan and delivered impressive results. On behalf of all directors, I want to express my sincere appreciation to all employees for their hard work, their focus on stakeholder needs and the significant contributions they made in 2021.

Kerry Tarasoff



## REPORT FROM THE CEO

The global pandemic continued to disrupt life in 2021. The Corporation focused our efforts on instilling public confidence in the Saskatchewan credit union system, in order

that credit unions and Credit Union Central of Saskatchewan (SaskCentral), together, Provincially Regulated Financial Institutions (PRFIs), could assist members, individuals and businesses in adapting to the realities of COVID-19.

The Corporation successfully achieved our 2021 Business Plan and associated initiatives. Considerable focus was placed on ensuring a safe work environment for employees who continued to work from home and for those who returned to the office later in the year. We continue to place emphasis on creating an environment with a constructive culture and found ways to work, involve and engage individuals and teams in a remote working environment. The Corporation pursued corporate excellence by remaining committed to investments in people, processes, and systems to build our internal capacity.

In 2021, the Corporation underwent an organizational structure change resulting in the creation of the Regulatory Oversight division, combining the Regulatory Policy and Prevention (RPP) and Risk-Based Supervision (RBS) divisions. I would like to take this opportunity to thank all our staff for their efforts through this transition and in completing their core responsibilities and advancing our key initiatives. Your expertise, dedication and ability to adapt are why the Corporation continued to effectively perform our role in 2021.

I would like to acknowledge the strong performance of the credit union system in 2021. The provincial economy continued to deal with resource sector challenges and pandemic impacts, in addition to experiencing a province wide drought last summer that impacted the agricultural sector. Despite this, credit unions produced solid financial results and have done a good job of managing their operations through these economic challenges. The credit union system continues to maintain strong levels of capital and liquidity and was able to generate a return on assets (ROA) of 0.61 percent, comparable to pre-pandemic results. Maintaining constructive relationships with our stakeholders and investing in programs that manage risk to the Deposit Guarantee Fund are important ongoing commitments for the Corporation.

Deposit Protection and Regulatory Excellence, Prevention and Corporate Excellence continue to be our strategic focus areas, with key initiatives

identified that support the achievement of our strategic goals and objectives. Strategic priorities in 2021 focused on government and stakeholder engagement, crisis management framework, regulatory policy enhancement and monitoring the impacts of COVID-19.

The Corporation continued to meet with Saskatchewan provincial government officials in 2021 to discuss strategies for the support and strengthening of safety net measures. Government remains supportive of our efforts and introduced legislative amendments to solidify ownership of the Deposit Guarantee Fund, which received Royal Assent and came into force on September 1, 2021. Engagement with our PRFI's saw a return to more normal monitoring activities, with a transition to virtual meetings, including a System Meeting that took place in April.

In 2021 we were able to secure a standby agreement with PricewaterhouseCoopers (PwC) to provide support and expertise towards strengthening our crisis management framework. This led to the development and enhancement of a number of internal processes and practices. The Corporation continues to regularly meet with Bank of Canada officials as part of our information sharing agreement, to secure an Emergency Lending Assistance (ELA) facility, which would also enhance our crisis management framework.

The Corporation continued engagement with inter-jurisdictional peers and stakeholders to review best practices and ensure appropriate regulatory requirements are in place to support PRFIs and depositors. Focus in 2021 was around capital and liquidity requirements which involved stakeholder engagement as we consider new or amended regulatory requirements.

As 2021 began, we remained concerned and aware of potential negative financial impacts from COVID-19. While the pandemic continued to impact lives and activities, there were no severe economic impacts triggering new regulatory easing measures. Operational impacts continue to be felt, but PRFI's have done a good job of continuing to deliver services while ensuring the safety of members, staff and the public.

2021 was a successful and eventful year, and I am proud to present the results of the Corporation's efforts during this challenging time.

Brent Schellenberg

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE FRAMEWORK

The Corporation became the first deposit guarantor in Canada in 1953, and since that time has successfully guaranteed the full repayment of deposits held in Saskatchewan credit unions.

The Corporation demonstrates the strength of its regulatory regime through strong governance practices. The governance framework below identifies the five main roles in the process and outlines the relationship between board and management.

Role	Board Responsibilities	Management Responsibilities
<p><b>Leader</b></p> <p><b>Setting corporate direction</b></p>	<p>Participates in setting strategic direction and provides strategic oversight</p> <p>Functions independently from management</p> <p>Approves corporate objectives and performance targets</p> <p>Approves business plan and policy</p> <p>Selects and retains qualified and competent management</p>	<p>Leads development of strategic options and implements strategy</p> <p>Presents continuous improvement initiatives</p> <p>Supports the board in implementing governance processes to guide the work of the board and its committees</p>
<p><b>Steward</b></p> <p><b>Ensuring an effective control environment and allocation of resources</b></p>	<p>Ensures the effective allocation, use and protection of all resources, taking the Corporation's risks into account</p>	<p>Develops and implements enterprise risk management strategies and processes</p>
<p><b>Overseer</b></p> <p><b>Exercising effective control</b></p>	<p>Sets the "tone at the top"</p> <p>Monitors operating and financial performance</p> <p>Ensures compliance with legislation and code of conduct</p> <p>Ensures it receives appropriate information</p> <p>Monitors the internal control and management systems</p> <p>Obtains independent verification</p>	<p>Develops an appropriate control environment including the governance approach, organizational structure, management style, communication style and policies and procedures</p>
<p><b>Risk Manager</b></p> <p><b>Ensuring risks to the Corporation and the system are monitored and controlled</b></p>	<p>Reviews and approves an enterprise risk management framework that supports the proactive identification, assessment and management of significant risks and decision making</p> <p>Understands principal risks to credit unions and the Corporation, and monitors systems that are in place to manage those risks</p>	<p>Leads development and implementation of risk management policies, processes and procedures and recommends risk management policies for board approval</p> <p>Develops risk tolerances in conjunction with the board and incorporates risk management into the strategic planning process</p> <p>Monitors and assesses risk and reports to the board on risks and related results</p>
<p><b>Reporter</b></p> <p><b>Presenting a fair and objective picture of the organization to stakeholders</b></p>	<p>Approves policies for communicating effectively with stakeholders</p>	<p>Develops appropriate information for communicating with the board and stakeholders</p>

## BOARD OF DIRECTORS

The board of directors governs the Corporation's business affairs. The board sets the strategic direction and ensures the Corporation's efforts reinforce the strength and stability of Saskatchewan credit unions and Credit Union Central of Saskatchewan (SaskCentral).

*The Credit Union Act, 1998* (the CU Act) requires a selection committee, consisting of an equal number of individuals selected by each of SaskCentral and the minister, that selects individuals for appointment to the board. The selection committee appoints individuals who meet the criteria for competency and experience as established by the board.

The board consists of:

- the Deputy Minister of Justice or the nominee of the Deputy Minister of Justice,
- the Deputy Minister of Finance or the nominee of the Deputy Minister of Finance, and
- five individuals appointed by the selection committee.

On January 15, 2021, Don Hansen and Anne Parker's terms came to an end. Kerry Tarasoff and Scott McMann were appointed by the selection committee as their replacements. Dave Tulloch, the board's representative from the Ministry of Justice, took on new responsibilities at the Saskatchewan provincial government and left the board in December 2021. The board also experienced the loss of Chair Greg Wallace with his passing on September 24, 2021.

The Corporation's board was composed of the following individuals in 2021:



**DAVE TULLOCH MBA, CPA, CMA**  
JUSTICE AND ATTORNEY GENERAL

Dave works for the Ministries of Justice and Attorney General as well as Corrections and Policing as Assistant Deputy Minister responsible for Corporate Services. Prior to joining Justice in 2010, he held senior financial positions in the Ministries of Environment and Education. From 1999 to 2006 he worked in the provincial wildfire program and was responsible for the development and implementation of a strategic planning and performance management framework. Through most of his career, Dave has worked in the financial management and administrative functions of the provincial government. He holds a Master of Business Administration from the University of Saskatchewan, along with undergraduate degrees from the University of Regina in Business and Economics. Dave is a Chartered Professional Accountant. He joined the Corporation's board as the Ministry of Justice representative in 2017.



**RUPEN PANDYA MA, BA**  
SASKATCHEWAN FINANCE

Rupen is the Deputy Minister of Finance and Secretary to Treasury Board. Prior to joining Finance in October 2017, he served as President and CEO of SaskBuilds, a Treasury Board Crown Corporation responsible for advising government on infrastructure priorities and alternative financing solutions. Rupen has held Assistant Deputy Minister roles with the Ministry of the Economy and the Ministry of Advanced Education, Employment and Immigration. He has served in the Saskatchewan Public Service for over 20 years. He holds a Bachelor of Arts and Master of Arts from the University of Regina. He joined the Corporation's board as the Ministry of Finance representative in 2018.



**DANIEL ISH OC, QC**  
SELECTION COMMITTEE APPOINTEE

Daniel has served as professor of law at University of Saskatchewan (U of S) and McGill University and was dean of law at the U of S for nine years. He was appointed to Queen’s Counsel in 1991 and as an Officer of the Order of Canada in 2014. His extensive international work includes advising on legal reform projects in several developing countries mostly for the Canadian Co-operative Association. He is a public member (adjudicator) for the Investment Dealers Association and the Mutual Fund Dealers Association. Daniel is a Treaty Land Entitlement arbitrator for Saskatchewan and is a former Chief Adjudicator of the Indian Residential Schools Adjudication Secretariat (Canada). He currently practices as a labour arbitrator and mediator. He joined the Corporation’s board in 2010. His current term will be ending on January 15, 2022.



**SCOTT MCMANN**  
SELECTION COMMITTEE APPOINTEE

Scott McMann retired from Conexus Credit Union on Dec 30, 2016, after working in the cooperative financial industry for over 40 continuous years. He held progressive leadership roles the last 30 years, retiring as a Regional Retail Vice President of the Regina region. Throughout his career, Scott held positions in Watrous, Moose Jaw and Conexus credit unions including Controller, General Manager and Vice President Asset Management. Scott is a Chartered Financial Planner and completed the Mutual Fund Investment course through the Trust Companies Institute. Scott brings board experience from various boards. He is community-minded and has served as a Moose Jaw City Councillor. His current term will be ending on January 15, 2024.



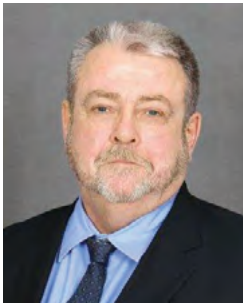
**KERRY TARASOFF FCPA, FCMA, BCOMM, BA**  
SELECTION COMMITTEE APPOINTEE

Kerry Tarasoff retired in October 2021 from the position of Chief Financial Officer, City of Saskatoon. Throughout his career, Kerry has held positions at the City of Saskatoon of increasing responsibility, including, Director of Finance & Supply (Head of Finance Division), City Treasurer, Accounting Control Manager, etc. He was previously employed at Federated Co-operatives Limited in various accounting-related positions. Kerry is a Certified Management Accountant and holds a Bachelor of Commerce, Accounting, a Bachelor of Arts, Economics and an Associate Diploma, Broadcasting. Kerry brings board experience from various boards. He is community-minded, including involvement with and oversight for large community events. His current term will be ending on January 15, 2024.



**BOB WATT FCPA, FCA**  
SELECTION COMMITTEE APPOINTEE

Bob is an experienced professional accountant with broad-based skills developed during a forty-year career in public accounting, including 31 years as a partner. He retired from the Deloitte Regina office in 2010. His public accounting career included general management roles and client service responsibilities for major private and public companies in Saskatchewan, including several co-operative financial institutions. Through this involvement, he has had significant leadership interaction and experience with clients and charitable boards of directors. Since retiring from Deloitte, Bob has carried on a part-time consulting practice and accepted several board appointments. He joined the Corporation's board in 2017. His current term will be ending on January 15, 2023.



**GREG WALLACE**  
SELECTION COMMITTEE APPOINTEE

Greg had extensive credit union experience in a wide range of roles and responsibilities including board and management functions. His co-operative background spanned more than 50 years. He had spent the majority of his career in senior and executive management positions within the Canadian credit union system. He had also consulted with credit unions in Central America, Asia and Africa. During his 25 years at the executive level, Greg had served on countless provincial and national credit union system boards, committees and task forces. He had been a board member of Credit Union Electronic Transaction Services (CUETS) and Credit Union Payment Services (CUPS) and participated in the creation of several credit union entities. Greg had a leadership role in the merger of Co-operative Trust Company of Canada and parts of SaskCentral forming Concentra Financial. He joined the Corporation's board in 2017 and served as the Board Chair from March 2020 until he passed away in September 2021.

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## AUDIT COMMITTEE

The audit committee oversees the integrity of the Corporation's financial reporting and controls. Using input provided by management, the committee regularly reports to the board regarding the Corporation's:

- financial reporting
- internal control systems
- relationship with auditors
- adherence to policy and regulatory requirements
- business continuity and disaster recovery plans
- legal and ethical conduct

The committee ensures the independence of external and internal auditors. It also ensures the Corporation uses appropriate due diligence in its controls, accountability and financial reporting.

The following directors were members of the audit committee in 2021:

- Bob Watt (Chair)
- Scott McMann
- Dave Tulloch
- Kerry Tarasoff (ex officio)

## BOARD AND COMMITTEE MEETING ATTENDANCE

The Corporation's board held six meetings in 2021, including a strategic planning session, while the audit committee met four times. The charts below outline director attendance at meetings. This includes directors who left or joined during the year.

### Board

Name	Meetings Attended
Ish	5
McMann	6
Pandya	6
Tarasoff	6
Tulloch	6
Wallace	2
Watt	6

### Audit Committee

Name	Meetings Attended
McMann	3
Tarasoff	3
Tulloch	4
Watt	4

## BOARD AND COMMITTEE REMUNERATION

Director remuneration is intended to recognize effort, dedication and to reasonably compensate directors for their time. The Corporation's board remuneration policy is reviewed annually to ensure fair and comparable remuneration with similar organizations.

Directors claim honorarium and per diem allowances at their discretion. The government directors have elected not to receive remuneration from the Corporation.

In 2021 the Corporation paid director compensation in the amount of \$72,003, which includes honorariums, per diems and other benefits as outlined below.

Name	Honorarium	Per Diem	Benefits
Hansen*	\$313	-	\$28
Ish	7,500	3,000	-
McMann	7,188	6,325	709
Parker*	313	-	70
Tarasoff	8,604	7,450	841
Wallace	12,000	3,200	812
Watt	7,500	6,150	-
<b>Totals</b>	<b>\$43,418</b>	<b>\$26,125</b>	<b>\$2,460</b>

\* Term ended January 15, 2021

## EXECUTIVE MANAGEMENT

The executive management team provides strategic vision, leadership and direction to the Corporation.



**BRENT SCHELLENBERG**  
CHIEF EXECUTIVE OFFICER

Brent has over 38 years of credit union system experience. He has worked in corporate finance, investment management, risk management, policy development, loan portfolio management, sales leadership and information technology. Brent joined the Corporation in 2006 and led the Risk-Based Supervision team from 2009 until he became the Chief Executive Officer in 2017.



**C.A. HATLELID CPA, CMA, CFA, FRM**  
VICE-PRESIDENT REGULATORY POLICY AND PREVENTION

After 28 years in the financial industry and as a member of the Corporation's executive team leading Regulatory Policy and Prevention since 2009, C.A. retired in 2021. We thank C.A. for his contributions, during his time with the corporation, which spanned almost 20 years.



**CORY STEPHEN CFA**  
VICE-PRESIDENT REGULATORY OVERSIGHT

Cory has 18 years of financial industry experience, including risk management, corporate finance, investment management and treasury. Cory joined the Corporation in 2009 and became responsible for the Risk-Based Supervision team in 2017. In 2021, following an organizational structure change, Cory became responsible for the Regulatory Oversight division, which now includes both the RBS and RP&P departments.



**DEANNA BERGBUSCH MBA, BCOMM**  
VICE-PRESIDENT CORPORATE OPERATIONS

Deanna has 14 years of executive leadership experience from the Ministry of Finance and Saskatchewan Crown sector. Deanna has worked in planning, project management, governance, risk management, customer relations, human resources, marketing, communications, finance and information technology. Deanna joined the Corporation in 2019 and leads the Corporate Operations team.

## CODE OF CONDUCT

All directors, executives, employees and contractors must adhere to a Code of Conduct. The code outlines responsibilities and guides the conduct of professional duties including:

- compliance with laws, regulations and proprietary rights;
- integrity of corporate records and communication;
- privacy and confidentiality of corporate information;
- fair dealing with employees, suppliers and service suppliers;
- corporate political, social and environmental responsibility;
- freedom from workplace harassment, violence and solicitation;
- protection and proper use of corporate assets;
- reporting of dishonest or suspected dishonest activities; and,
- conflicts of interest.

Each year, board members and employees of the Corporation acknowledge their understanding of, and compliance with, the Code of Conduct. The Corporation reports to the board on code compliance yearly.

## CREDIT UNION DEPOSIT GUARANTEE CORPORATION

The Corporation is the deposit guarantor for Saskatchewan credit unions and the primary regulator for PRFIs. The Corporation establishes regulatory requirements through the Standards of Sound Business Practice (the Standards) for credit unions, Prudential Standards for SaskCentral and regulatory guidelines and directives for PRFIs. These requirements are an essential component of the Corporation's deposit protection strategy.

New regulatory requirements, including the revision of existing ones, are generally driven by changes to legislation, and developments in the financial services industry and regulatory environment. New requirements may also become necessary due to issues or developments that necessitate providing PRFIs with information and/or clarity in the areas of corporate governance, the control environment, capital management, and financial and business practices. These requirements are generally modelled on industry-based requirements and time frames such as those established by the Office of the Superintendent of Financial Institutions (OSFI) in the federal jurisdiction.

PRFIs and other key stakeholders are provided with advance notice of the Corporation's plans to issue or revise regulatory requirements. Communication channels may include corporate publications, meetings and other formal and informal communication channels.

The Corporation monitors an institution's implementation of regulatory requirements through its supervisory review process. When an institution demonstrates elevated risk to depositors' funds, the Corporation will proactively interact with PRFI boards and senior management to prevent insolvency and mitigate risk. However, if proactive interaction does not produce desired results, the Corporation is obligated to intervene in a manner that aligns with its Supervisory Framework.

## DEPOSIT PROTECTION – THREE LINES OF DEFENCE

The Corporation's long-established approach to protecting depositors is premised on three lines of defence:

1. PRFIs must follow the Corporation's Standards, prudential standards and regulatory guidance. The Corporation monitors PRFIs to ensure they operate according to regulatory policy and can direct them to take action on any issue that poses potential risk to depositors' funds.
2. PRFIs are required to hold sufficient liquidity and capital to support operations, including business risks. The capital reserves of regulated institutions in Saskatchewan are among the strongest in Canada.
3. The Corporation's Deposit Guarantee Fund (the Fund) is one of the strongest funds in the country. It is funded through investment earnings and an annual assessment paid by PRFIs.

## STANDARDS OF SOUND BUSINESS PRACTICE

The Corporation is empowered by the CU Act to establish the Standards for Saskatchewan credit unions. The Standards are approved by the Corporation's board of directors and filed with the Registrar of Credit Unions (the Registrar). The Standards set minimum requirements and a framework to effectively regulate credit unions.

The Corporation develops directives and guidance for credit unions to support the implementation of the Standards.

The objectives of the Standards include:

- establish principles and minimum requirements for corporate governance and the control environment that contribute to the sound and prudent operations of credit unions and the protection of deposits, and
- prescribe limits and restrictions for credit unions regarding sound business practices to manage and control exposure to risk.

The Standards emphasize the careful and practical judgment that would be exercised by a reasonable person in the financial services industry, having regard to:

- the objectives of the credit union,
- all risks to which the credit union is exposed,
- the amount and nature of the credit union's liquidity and capital, and,
- the regulatory compliance obligations of the credit union.

## PRUDENTIAL STANDARDS

Pursuant to the CUCS Act, and in consultation with the Registrar, the Corporation establishes Prudential Standards for SaskCentral. These standards set minimum requirements and a framework to effectively regulate SaskCentral.

The objectives of the Prudential Standards are to:

- establish principles and minimum requirements for corporate governance and the control environment that contribute to sound and prudent operations, and
- prescribe limits and restrictions, in the context of sound business practices, to manage and control exposure to risk.

## SUPERVISION OF PRFIS

In addition to establishing and communicating requirements, the Corporation:

- monitors performance of PRFIs relative to requirements;
- interacts with PRFIs whose results do not meet regulatory or compliance expectations; and,
- intervenes with PRFIs whose performance falls below requirements.

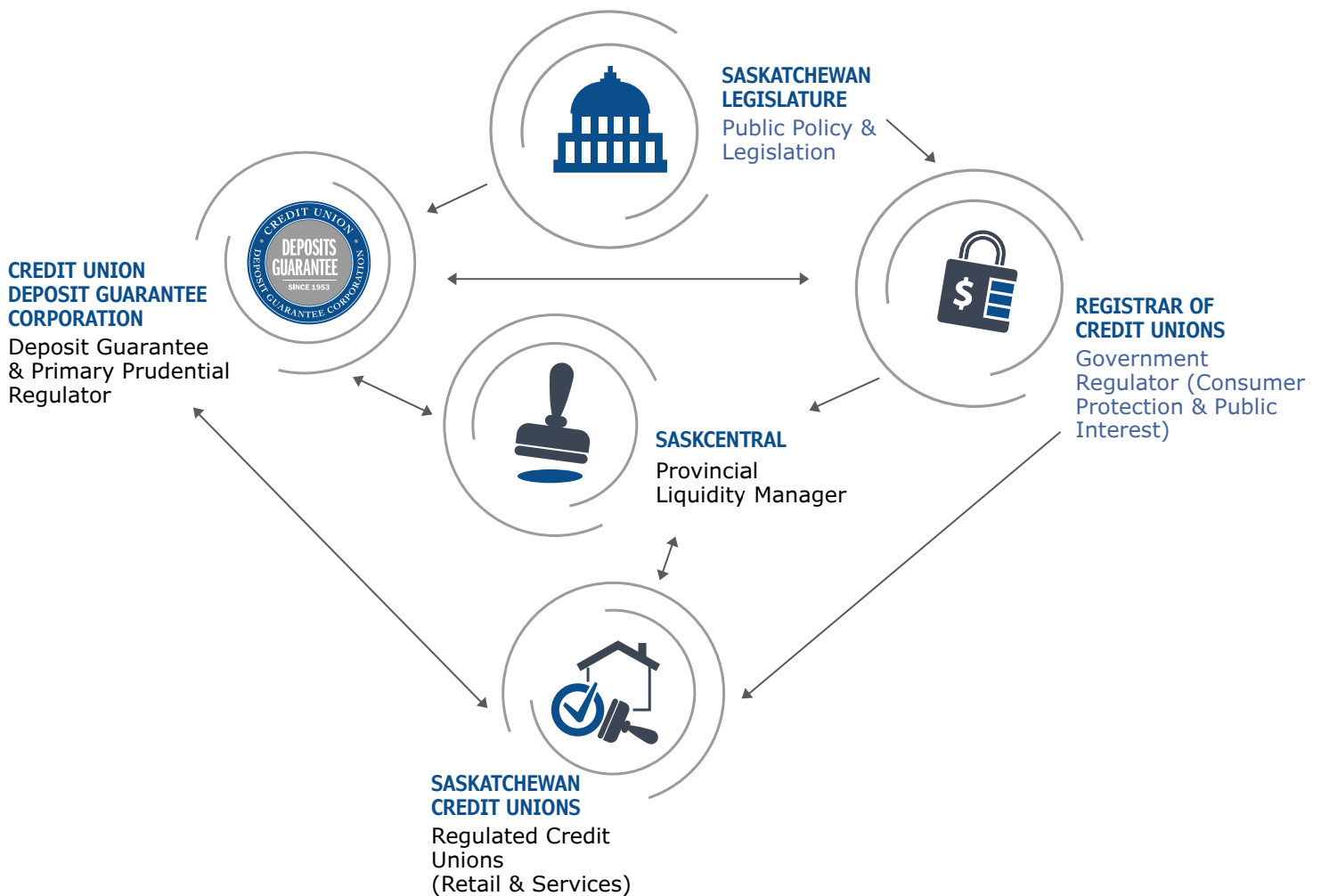
The level of supervision depends on the nature, scope, complexity and risk profile of each PRFI.

## LEGISLATIVE AND GOVERNANCE MODEL

Provincial legislation provides the overall framework for the regulation of PRFIs and includes:

- *The Credit Union Act, 1998* (the CU Act);
- *The Credit Union Regulations, 1999* (the Regulations);
- *The Credit Union Insurance Business Regulations; and,*
- *The Credit Union Central of Saskatchewan Act, 2016* (the CUCS Act).

PRFIs must comply with the legal requirements and obligations established in the governing legislation, as well as other relevant provincial and federal legislation. PRFIs must also comply with regulatory requirements established by the Corporation, as well as the articles, bylaws and policies set by PRFIs.



## REGULATORY ROLES

PRFIs are regulated through shared responsibility.

**Saskatchewan Legislative Assembly** establishes public policy and enacts legislation for the Saskatchewan credit union system. Through the legislation, the provincial government prescribes responsibilities for both the Corporation and the Registrar.

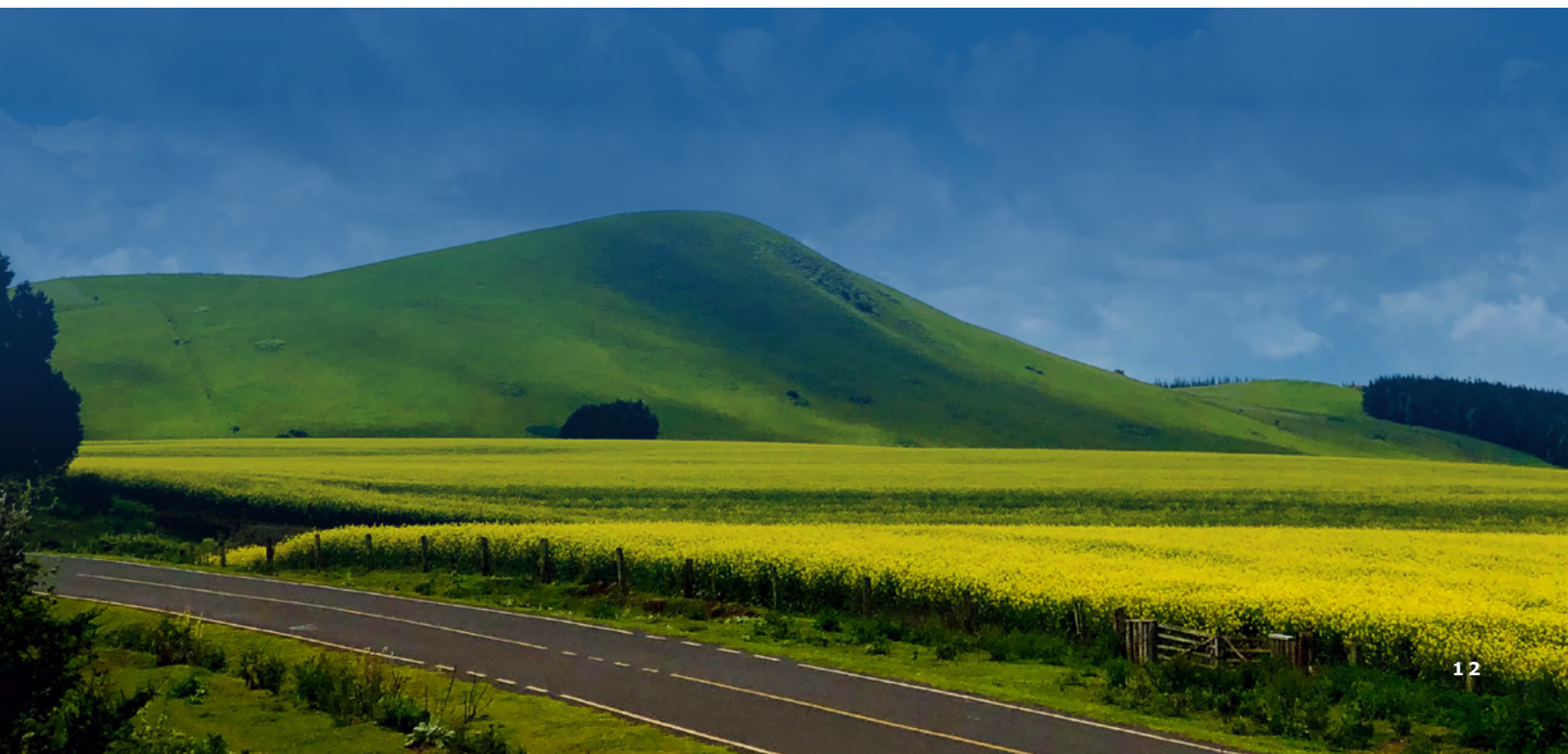
**Credit Union Deposit Guarantee Corporation** is the primary regulator of PRFIs. It leads the development, monitoring and enforcement of regulatory requirements for PRFIs. The Corporation consults with the Registrar in developing regulatory requirements for PRFIs, such as the Standards for credit unions, Prudential Standards for SaskCentral and regulatory guidelines and directives for PRFIs. The Corporation's primary focus is on deposit protection and the solvency of PRFIs. It also manages the Fund. The Corporation is accountable to the Registrar.

**The Registrar of Credit Unions (the Registrar)**, oversees and monitors the Corporation to ensure it is fulfilling its regulatory role and mandate. The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) is the Office of the Registrar (the Registrar) for the Corporation as per the CU Act and the CUCS Act, and *The Financial and Consumer Affairs Authority of Saskatchewan*

*Act*. The Registrar has the ultimate responsibility and authority for the regulation of PRFIs, and is responsible for approving and accepting registrations and statutory filings of PRFIs and issuing formal approvals of Prudential Standards. In overseeing and ensuring appropriate regulation of PRFIs, the Registrar's primary focus is consumer protection and the public interest. The Registrar has the overarching responsibility of ensuring a safe and sound credit union system in Saskatchewan. The Registrar may delegate powers and authority to the Corporation. The Registrar may also issue and enforce directives to the Corporation.

**Saskatchewan Credit Unions** are member-owned financial co-operatives, democratically controlled by their members and operated for the purpose of providing financial services to their members. Financial products and services may be provided to non-members if authorized by the credit union's articles.

**Credit Union Central of Saskatchewan (SaskCentral)** is the statutory liquidity manager for the Saskatchewan credit union system. By regulation, SaskCentral holds statutory liquidity deposits from Saskatchewan credit unions in order to facilitate clearing and settlement, provide credit facilities to support daily cashflow and provide funding and central coordination of emergency liquidity.



## SASKATCHEWAN CREDIT UNION SYSTEM

Saskatchewan credit unions are independent financial service co-operatives that are owned and controlled by the members they serve. They formed during the 1930s as a response to the difficult social and economic issues at that time. They have since evolved to become full-service financial institutions and rank among the leaders in the country for overall customer service excellence.

An elected board of directors governs each credit union, sets strategic direction, and oversees the work of a management team that is responsible for the daily operations.

Although Saskatchewan credit unions have grown to meet changing needs, they maintain a strong commitment to cooperative principles and to those they serve. Credit unions continue to share their success with their members and communities, and every year they commit millions of dollars and countless volunteer hours to causes, organizations and events. Credit unions continued to reward members in 2021 by returning \$7.7 million in patronage allocations and dividends.

Credit unions are established under provincial legislation and are regulated by the Corporation. They must comply with the Corporation's Standards of Sound Business Practice, the bylaws and policies established by each credit union and relevant provincial and federal legislation.

Pursuant to the CUCS Act, the Corporation has supervisory and regulatory powers and responsibilities regarding SaskCentral. The Registrar provides oversight of the Corporation.

Canadian credit unions have the option to be federally incorporated and regulated and there is currently one credit union in the province that is pursuing that option: Innovation Credit Union.

Despite the pressures of increased complexity and competitiveness in the financial services sector, Saskatchewan credit unions remain among the most stable financial institutions in the country. Credit unions have maintained their financial integrity by carefully managing operating expenses and controlling their balance sheets.

Credit unions continue to face challenges as public and regulatory expectations continue to evolve. Credit unions are taking steps to enhance operating efficiency through managing operating expenses, in order to respond to demands for expanded service offerings.

There are 36 credit unions in Saskatchewan as of December 31, 2021, and they range in asset size from \$39.8 million to just over \$6.8 billion. SaskCentral, in its role as the manager of credit union's statutory liquidity, held \$2.4 billion of credit union statutory liquidity deposits which are backed by investments in liquid assets.



## SYSTEM PERFORMANCE

### RISK PROFILE OF PROVINCIALLY REGULATED FINANCIAL INSTITUTIONS (PRFIs)

The Corporation uses industry best practices to review and assess the financial condition, safety and soundness of PRFIs. This approach evaluates institutions' exposure to risks and examines how they effectively manage and mitigate those risks.

All PRFIs are subject to the Corporation's regulatory oversight, which includes the supervisory assessment of scheduled and requested regulatory reporting requirements. This process includes quarterly financial monitoring and reviews of key planning documents, board meetings, member disclosures, as well as audit and risk reports. This oversight culminates in a composite risk rating, which the Corporation assigns to each PRFI. When aggregated, the composite risk rating is an overall assessment of safety and soundness for the credit union system. The Corporation's model includes four levels of composite risk: low, moderate, above average and high.

In 2021, the Corporation's supervisory activities included the continuation of closely monitoring institutions to assess the impacts of the ongoing pandemic, with focus placed on growth and its impact on capital, earnings, and credit risk including overall delinquency levels and underwriting practices.

The Corporation issued 37 supervisory letters confirming the risk profile and stage rating of PRFIs. The Corporation also proactively interacted with institutions experiencing elevated levels of risk based on financial performance trends and monitored progress in addressing key deficiencies to ensure that the risk profile of the institution returns to an acceptable level of risk.

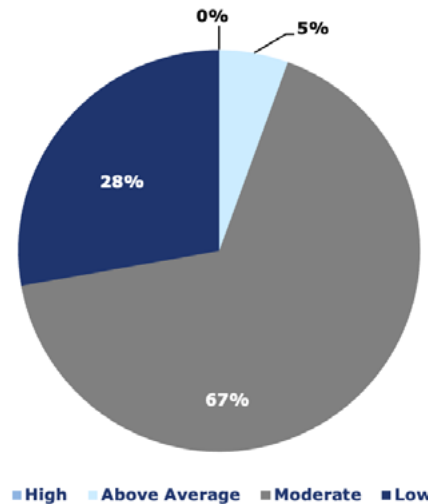
A moderate rating reflects the credit union system's resilience to normal adverse business and economic conditions, supported by stable earnings and liquidity, and positive trending levels of capital and liquidity.

Even with the impacts of the ongoing pandemic, Saskatchewan credit unions continue to demonstrate strength and stability. The Corporation encourages continued evolution of governance and risk management, including:

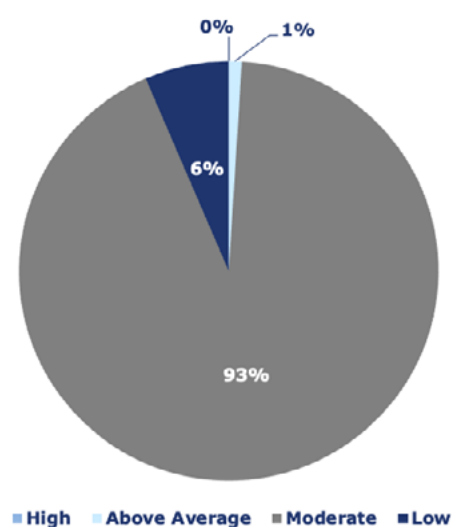
- assessing policies and practices against new and existing regulatory policy (e.g. legislation, standards and guidelines) and ensuring compliance;

- ensuring the board has, for all material risk areas, established prudent risk tolerances that align with its willingness and ability to bear risk, along with capital and liquidity limits and targets that adequately offset the credit union's risk profile;
- embedding risk management in strategic planning and daily decision making; and,
- ensuring oversight functions (i.e. audit, compliance, risk management and financial analysis) have and fulfill a mandate that establishes the independence and authority required to express an opinion and follow up with management on action taken in response to issues identified.

**Composite Risk by % of Credit Unions**  
(as of December 31, 2021)



**Composite Risk by % of System Assets**  
(as of December 31, 2021)



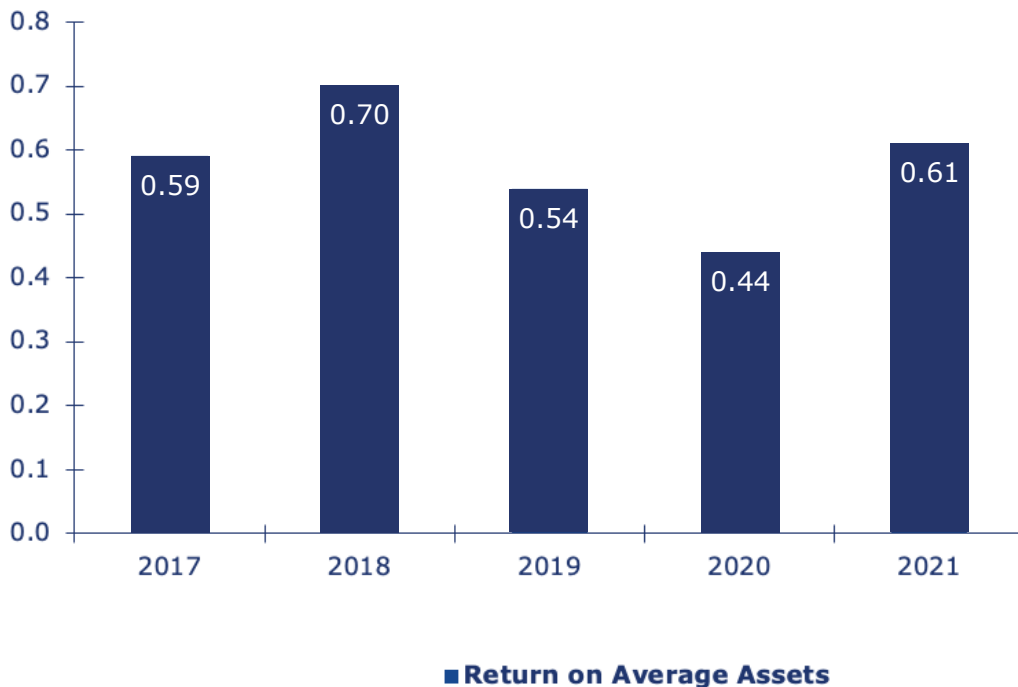
## FINANCIAL PERFORMANCE

Credit unions posted strong results in 2021, benefiting from a rebound in activity as pandemic-related restrictions were eased throughout the year. Higher earnings and improved efficiency, combined with modest growth, led to an increase in capital levels. Liquidity levels deteriorated modestly from 2020 results however, this was due to increasing activity in the broader environment. Overall, these favourable results point to the underlying resiliency of the credit union system in Saskatchewan and are indicators of strength, stability and strong operational management.

### Profitability

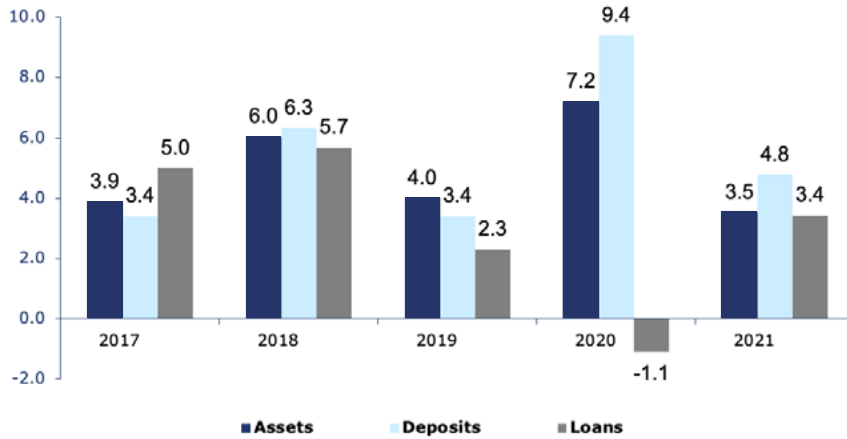
Net income was \$164 million in 2021 (2020: \$112 million), for a return on average assets of 0.61% (2020: 0.44%). Income levels improved over 2020 results, due to higher margins, stronger than expected non-interest revenue and lower provision costs. Credit unions were also successful in containing operational costs, which helped efficiency improve to 67.8% (2020: 73.3%).

**Return on Average Assets (%)**  
(for the year ended December 31)



## SYSTEM PERFORMANCE

**Growth (%)**  
(for the year ended December 31)



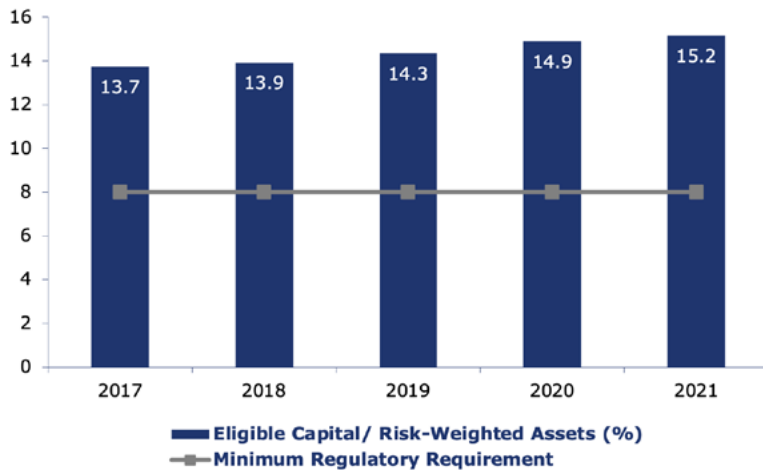
### Growth

Assets increased by 3.5% in 2021 (2020: 7.2%) to \$27.5 billion. The increase in assets was primarily due to loans which grew by 3.4% (2020: -1.1%) to \$20.0 billion. Loans were mainly funded by deposits, which grew 4.8% (2020: 9.4%) to \$24.0 billion.

### Capital

As a result of strong earnings and moderate growth, credit unions improved total eligible capital, as a percentage of risk-weighted assets to 15.2% in 2021 (2020: 14.9%). This is well above the minimum regulatory standard of 8%, and the additional regulatory capital conservation buffer of 2.5% (10.5% total). The leverage ratio grew to 8.8% (2020: 8.6%) during the same period compared to the regulatory standard of 5%.

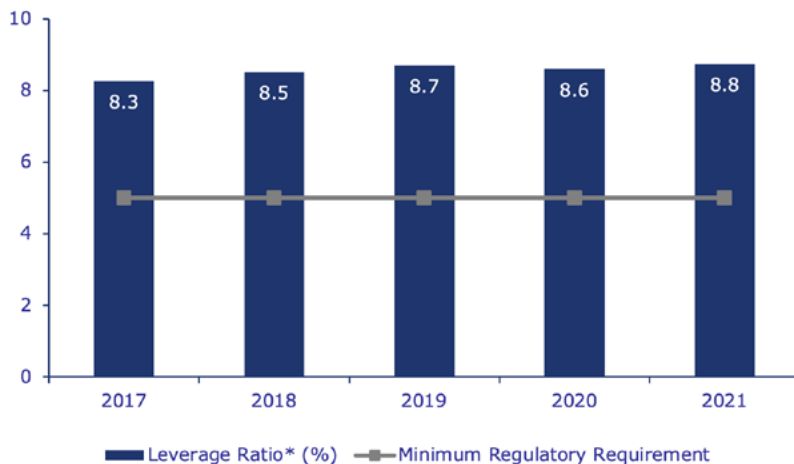
**Capital Adequacy - Risk-Weighted Capital**  
(as at December 31)



### Liquidity

The liquidity coverage ratio (LCR) is based on the level of high-quality liquid assets available for net cash outflows over 30 days under a prescribed stress scenario. At year-end, credit unions substantially exceeded the minimum LCR requirement of 100%, with a result of 221.4% (2020: 279.1%). In addition to the LCR, the Corporation and its PRFIs conduct multiple stress tests that are more severe to ensure that the credit union system has adequate capacity to manage through extreme but plausible events.

**Capital Adequacy - Leverage Ratio**  
(as at December 31)



### Other Financial Indicators

Loan delinquencies greater than 90 days declined in 2021 to 0.86% (2020: 1.35%). The improvement can be attributed to rebounds in economic activity, continued government support and enhanced portfolio management practices.

\* Leverage is based on eligible capital relative to total assets and certain off-balance sheet items.

# MANAGEMENT DISCUSSION AND ANALYSIS

## STRATEGIC FOCUS AREAS

The Corporation protects deposits while promoting the strength and stability of the credit union system. In 2021, the Corporation held its annual strategic planning session. The planning session focused on a thorough review of the Corporation’s principal risks, associated risk mitigation strategies and the risk management framework. The planning session included input and presentations from stakeholders. SaskCentral presented their perspective at the Corporation’s December 2020 board meeting and information from this was used as input for the planning session. At the planning session, Tier 1, 2 and 3 credit unions shared their perspective and engaged in discussion with the board.

During the April 2021 strategic planning session, the board concluded that the Corporation’s ERM framework is robust and appropriate. Key themes from the board’s discussion included:

- the pace of change impacts the level of monitoring needed for various risks;
- when assessing potential fine-tuning of the Corporation’s prudential model, management could consider the balance of prudential regulation and standards; intervention timing; underwriting processes; and governance;
- the drivers for federalization; and,
- the changes proposed by SaskCentral to the statutory liquidity framework.

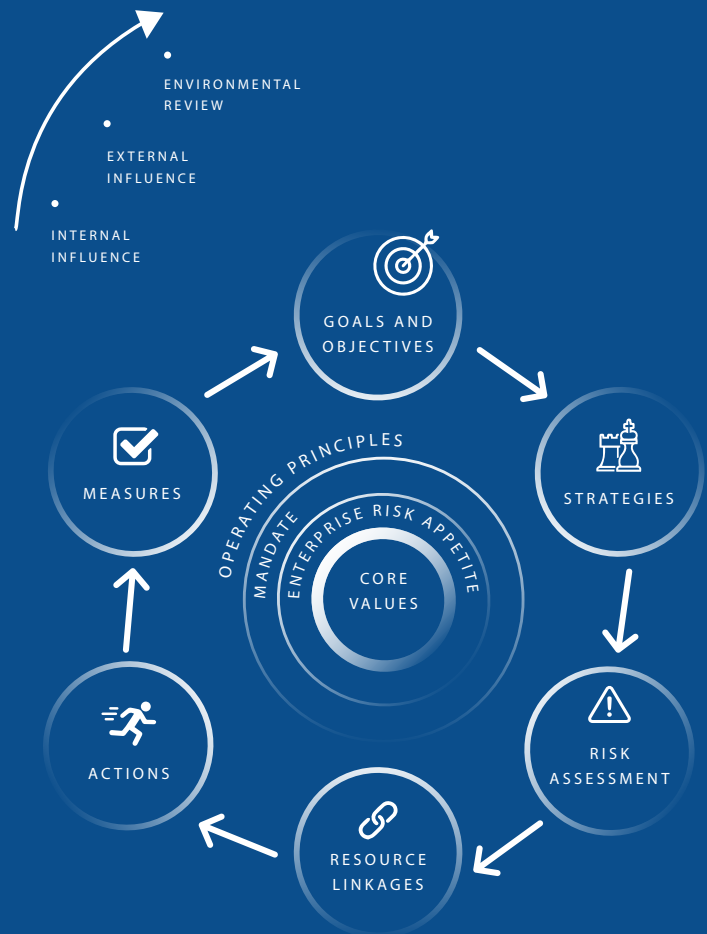
Planning discussions included appropriateness of current positioning on the heat map and appropriateness of mitigation efforts. Management was asked to consider whether additional reporting summaries could be developed. This work was covered by the ERM process review project later in 2021. At the December 2021 board meeting, the board approved the use of additional ERM reporting summaries for 2022.

The board confirmed that the Corporation will continue with monitoring environmental trends, responding to legislative and regulatory developments and engaging with stakeholders as part of the Corporation’s responses to changes in the environment; in support of the three strategic focus areas:

- Deposit Protection and Regulatory Excellence;
- Prevention; and,
- Corporate Excellence.

Key initiatives were identified to further progress on these strategic focus areas and to achieve the strategic and operating plans which are within the corporate, regulatory and business environments.

## STRATEGIC PLANNING FRAMEWORK



## Deposit Protection and Regulatory Excellence

The Corporation strives for excellence in regulation and deposit protection by employing industry best practices. It provides responsible regulatory administration by balancing the need for effective regulation with the realities of the competitive marketplace.

The Corporation’s expectations of credit unions reflect the broader regulatory environment. As the primary credit union regulator, the Corporation continues to hold credit unions to standards that are comparable to federally-regulated institutions in support of a continued movement towards prudential regulation, self-determination and self-regulation. Since the Saskatchewan model is based on regulatory best practice, the Corporation monitors and responds to new and emerging developments.

The Corporation is the primary regulator of SaskCentral. It leads the development, monitoring and enforcement of regulatory requirements and consults with the Registrar in developing regulatory requirements, such as Prudential Standards for SaskCentral.

The Corporation champions an effective regulatory framework by providing leadership beyond provincial boundaries in order to facilitate positive change and manage jurisdictional issues. Through strong working relationships with regulators in other jurisdictions and the Registrar, the Corporation strives to maintain a regime of effective regulation with minimal burden to PRFIs.

Financial strength continues to be paramount to the mandate of the Corporation as we maintain a strong guarantee fund that reflects best practices in deposit protection. Investments in preventive programs and initiatives are key to our ability to control and manage risk to the Fund.

### Performance and Measures

#### Goal: A comprehensive deposit protection regime supported by responsible, balanced regulation

Objectives	Targets and Thresholds	2021 Performance
Instill confidence in the safety and security of Saskatchewan credit unions	Credit union depositor confidence is targeted at 90% with a threshold of 80%	93%
Manage risk to the Deposit Guarantee Fund	Regulatory fairness, as measured through credit union survey results, is targeted at 90% with a threshold of 80%	96%
Provide fair and consistent regulation		

#### Goal: Corporate financial strength

Objectives	Targets and Thresholds	2021 Performance
Meet deposit protection financial obligations	Deposit Guarantee Fund range is 1.4% to 1.6% of consolidated system deposits with a threshold of 1.5%	1.51%
Demonstrate fiscal responsibility	Overall corporate operational budgets do not exceed a 5% negative variance*	11.2% positive variance

\* Includes personnel, corporate governance and general business expenses.

## Key Initiatives

### Government and Stakeholder Engagement

In 2021, under a broader government and stakeholder initiative, the Corporation continued to engage with government officials to pursue Emergency Lending Assistance (ELA) with the Bank of Canada and financing/backstop arrangements in support of crisis management efforts.

The Corporation continued to engage with its stakeholders, in particular P-SIFIs, to determine and share potential impacts of strategic decisions.

The legislative amendments to clarify and reinforce ownership of the Deposit Guarantee Fund received Royal Assent in 2021 and came into force on September 1, 2021.

### Regulatory Policy Enhancements

The Corporation strives to maintain appropriate regulatory requirements for PRFIs that are comparable to their industry counterparts, particularly at the federal level. In 2021, the Corporation concluded consultation with PRFIs and finalized regulatory guidance for interest rate risk management, which will become effective January 2022. Other efforts focused on continuing to respond to international and federal developments, including updates to the residential mortgage underwriting guideline. The Corporation continues to examine what is occurring at the federal level around proportionality.

Additionally, research was completed to support a multi-year project to revise the capital and liquidity adequacy requirements for credit unions. This project includes updating the Standards and consideration of Statutory Liquidity Modernization proposals put forward by SaskCentral.

In 2022, the Corporation will consult with key stakeholders on proposed changes to capital and liquidity requirements as well as respond to developments pertaining to technology, cyber security and operational risk management.

### Crisis Management Framework

In 2021, the Corporation continued to focus efforts on enhancing its crisis management framework to strengthen the deposit protection regime. This included formalizing a standby arrangement with a third-party provider, establishing a governance structure and procedures for the Crisis Management Group, updating its crisis communications plan and expanding its recovery and resolution toolkit. In 2022, the Corporation will continue to engage with the Bank of Canada, test the governance structure and procedures for the Crisis Management Group, and begin development of its resolution plan.



**Prevention**

The Corporation’s key risk management strategy is prevention and investments are made in preventive services to enhance the ability of PRFIs to operate in a sound and prudent manner. The Corporation’s objective is to encourage PRFIs to act proactively, minimizing the need for the Corporation to react through intervention or payment of claims on the Fund. Strong, stable institutions facilitate the system’s ability to operate effectively and instill depositor confidence.

In 2021, the Corporation continued to have strong engagement with stakeholders, through the hosting of a virtual system meeting, April 27, 2021, to engage with board and management representatives from regulated institutions and the FCAA. As well, the Corporation engaged with PRFIs by inviting four system stakeholders to present at our board planning session on April 21 and 22, 2021. At both events, open and constructive dialogue regarding the Corporation’s initiatives, supervisory framework, focus areas and assessments of the current environment took place.

The Corporation continued efforts to work inter-jurisdictionally to support PRFIs through lasting pandemic impacts.

**Performance and Measures**

**Goal: Credit union strength and stability**

Objectives	Targets and Thresholds	2021 Performance
Invest in programs that reduce risk to the Deposit Guarantee Fund	Regulatory fairness, as measured through credit union survey results, is targeted at 90% with a threshold of 80%	96%
Promote sound governance and strategic management in credit unions	Regulatory responsiveness to PRFIs is targeted at 90% with a threshold of 80%.	97%
Foster positive working relationships	The aggregate composite risk rating of the credit union system is = to or < than 2.0 (Mid-Moderate)	1.76
	Total eligible capital of the system is to exceed regulatory limits, including buffers and must be = to or > 10.5%	15.2%

**Key Initiatives**

Regular operational activities have been successful in keeping this strategic focus area on target to meet or exceed its goals. Engagement with key stakeholders will continue.

No key initiatives.

## Corporate Excellence

The Corporation strives for excellence in all business aspects including effective strategic and operational planning processes. Clear objectives and strategies guide day-to-day activities. The communications strategy facilitates openness and ongoing dialogue with stakeholders and balances those efforts with conscientious treatment of confidential information entrusted to the Corporation.

The Corporation maintains a sound governance framework, including policies that guide decisions, and articulate the authority and accountability of board, management and staff in achieving corporate objectives. An enterprise risk management (ERM) framework fosters sound decision-making through the identification and assessment of risks to both the credit union system and the Corporation. Risk management processes add value to business strategies, identify preventive programming opportunities and support sound management of the Fund.

The Corporation encourages a constructive work environment that recognizes the contribution individuals make to organizational goals and promotes teamwork and collaboration. This culture encourages leadership at all levels and supports employees to do their best. The Corporation's staff has displayed dedication and due diligence in performing their roles and responsibilities and achieving the Corporation's business plan in a non-traditional work environment during the continuing global pandemic.

Effective deposit protection requires a skilled, professional team that understands the environment and the industry, has the ability to demonstrate leadership with stakeholders and can manage change in complex situations. The Corporation continues to invest in the development of intellectual capacity, as the skills, abilities and knowledge of people are what has made the Corporation successful in the past and will continue to make the organization successful into the future.



**Performance and Measures**

**Goal: Sound governance and business practices**

Objectives	Targets and Thresholds	2021 Performance
Demonstrate best practices in corporate governance and strategic management	Board governance self-assessment results are targeted at 85% with a threshold of 80%.	93%
Fulfill responsibilities professionally and with the utmost integrity	Audit committee governance self-assessment results are targeted at 85% with a threshold of 80%.	95%
Foster a constructive work environment	Organizational Effectiveness Inventory surveys results indicate a staff satisfaction rating score of 80% with a threshold of 75%.	85%
	Organizational Culture Inventory will reflect an average of constructive styles > or = to the 50th percentile.	Percentile score of 76%

**Key Initiatives**

**Supervisory Activities Working Paper Enhancements**

To facilitate the automation of components of the Corporation’s supervisory framework, we completed technical design for working papers and the related risk matrix application. In 2021, technical development progressed and will continue into 2022. Implementation will begin in 2022.

**Corporate Technology Enhancements**

The Corporation reviews corporate technology needs in support of business and regulatory responsibilities. In 2021, upgrades to various software and hardware components were successfully implemented. 2022 will see continued progress on technology efforts to enhance processes and reporting for internal and external stakeholders.

**Enterprise Risk Management**

In 2021, the Corporation completed the key initiative to review the enterprise risk management (ERM) processes. This involved a cross-jurisdictional and risk standards review, followed by a gap analysis. The Corporation’s ERM processes compared favourably to other jurisdictions’ processes and to risk standards with opportunities for improvements in reporting being one notable area for further work. Based on this and on discussion at the 2021 strategic planning session, the board approved new ERM reporting summaries.

Through the results of the board planning session, focused on risk, and the discussion of the key initiative ERM process review, the Board concluded that overall, the ERM processes and Risk Appetite Framework are robust and serve the Corporation’s needs well.

## OPERATIONAL ACTIVITIES

The Corporation's operations contain the following divisions: Regulatory Oversight and Corporate Operations.

### Regulatory Oversight

#### Regulatory Policy and Prevention

Regulatory Policy and Prevention ensures an effective and responsible framework for regulating PRFIs by developing regulatory policy, executing the preventive strategy and overseeing the Fund. It maintains relevant Standards and develops supplemental regulatory guidance and directives for PRFIs.

Staff regularly interact with PRFIs on various issues to provide leaders with a better understanding of the Corporation's regulatory expectations. These efforts are supported by preventive programming, such as system meetings and educational sessions.

This team is responsible for managing the Fund, which includes providing leadership and oversight, monitoring the Fund's performance, and developing strategy and policies. Under the direction of the board, investments are purchased according to the priorities of:

- safety of principal,
- sufficient liquidity to meet the Corporation's cash flow obligations, and,
- reasonable return.

Staff from Regulatory Policy and Prevention chair the asset liability committee that determines the investment strategy, performance and policy compliance, and reporting for the board. Staff review the Fund's investment policy and practices at least once per year and any changes to Fund policy are approved by the board.

### Risk-Based Supervision

The Risk-Based Supervision team is responsible for the monitoring, intervention and regulatory approvals for PRFIs. This ensures both thorough and effective assessment of PRFIs' performance and protects the Fund by proactively addressing elevated risk and performance deficiencies.

The Corporation monitors the financial performance of credit unions and their adherence to regulatory requirements to ensure the safety of member deposits. When issues or deficiencies are identified, the Corporation will work with institutions to ensure they are resolved in a prudent and timely manner. In some cases, the Corporation will provide financial assistance to facilitate their recovery or resolution.

Risk-Based Supervision assesses PRFIs' performance and risk management to ensure they meet regulatory expectations and operate with effective controls. Supervisory reviews are supplemented by ongoing engagement with management and board. Risk-Based Supervision reviews quarterly financial reports, annual budgets and external reports. In some cases, the team may request monthly board reports and mid-year forecasts.

This oversight allows staff to develop a composite risk rating for each PRFI as well as a provincial aggregate for Saskatchewan credit unions. Risk-Based Supervision also assesses requests from PRFIs to engage in new lines of business, for regulatory policy exemptions, and to enter into certain types of transactions.

## Corporate Operations

### **Governance, Performance Measurement, Planning and Budgeting**

The decisions, authority and accountability of the board, management and staff are guided by a governance framework that includes policies and practices. The Corporation's board and management identify key strategic focus areas through the ERM report, corporate performance measurements and environmental scans. The annual planning develops corporate goals, objectives and key initiatives that are measured and reported at each board meeting. The Corporate Operations division works with executive and administrative functions to support the effective functioning of the governance framework.

The Corporate Operations division team provides support services for the Corporation. The team accomplishes this through management of the following functions:

### **Business Process Support and Information Technology**

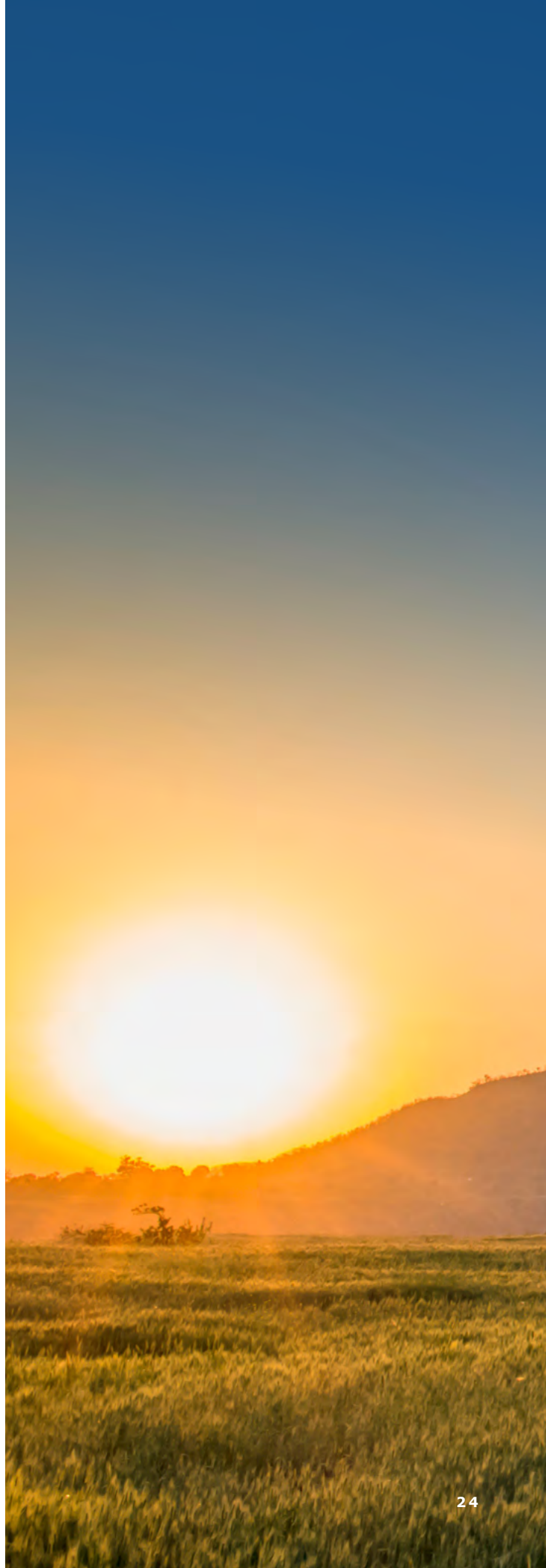
The Business Process Support Services (BPSS) team develops and maintains the corporate systems that improve the Corporation's effectiveness and efficiency, including information management, reporting and office management systems. BPSS manages technology operational strategies, policies and practices that streamline corporate business processes, support internal and external stakeholders and contribute to the Corporation's goals and objectives.

### **Corporate Services**

The Corporate Services team is responsible for human resources, communications, compliance, policy and practice coordination, enterprise risk management and various frameworks. Corporate Services coordinates the ERM processes that outline the Corporation's principal risks, risk appetite, risk tolerances and the actions taken to monitor and manage risks.

### **Finance and Accounting**

The Finance and Accounting team manages accounting and reporting processes and the relationship with the accounting services supplier. The team also manages the processes for monthly reporting and account reconciliations, quarterly financial statements and budget variance analysis, corporate tax, and annual external financial statements. The Finance and Accounting team serves as the liaison with the external and internal auditors.



## ENTERPRISE RISK MANAGEMENT

The Corporation is exposed to various risks during regular business activities and the management and board determine how much risk is acceptable. Enterprise risk management (ERM) is used to identify, assess and mitigate risks, which helps form the goals, objectives and strategies that guide the organization’s strategic and business plans, and provides direction for its priorities and resource allocation. The ERM framework outlines the Corporation’s principal risks, risk appetite and risk tolerances, and includes actions taken to effectively manage and monitor risks. Management reviews the current environment and updates the risk assessment twice per year. The board uses the year-end risk assessment as the basis for strategic planning every second year.

### Enterprise Risk Appetite Statements

The following enterprise risk appetite statements outline the level of risk the Corporation is willing to assume:

- We will only restrict credit union activities by creating and enforcing regulations and guidelines that will allow credit unions to take prudent risks during the course of their business.
- We regulate with an emphasis on preventing the need for payouts to depositors.
- We will maintain a guarantee fund at a level sufficient to instill confidence in credit union depositors and other stakeholders.
- We avoid actions that would damage the Corporation’s or credit union system’s reputation in the eyes of our stakeholders.
- We maintain our operations at a level that supports our mandate. We will spend what is needed, but only what is needed, to acquire the capacity to regulate prudently.

Every year the Corporation reviews twenty principal risks that are divided into five categories: Deposit Guarantee/Solvency, Strategic, Regulatory, Operational, and Financial.

Risk Category	Definition	Direction of Risk
<b>Deposit Guarantee/Solvency Risk</b>	Risks to the strength and stability of Saskatchewan credit unions arising from a broad range of economic and environmental factors that may impact depositors’ confidence.	↔
<b>Strategic Risk</b>	Risks associated with the overall effectiveness of the board and management of the organization, including the ability to develop and execute appropriate business plans and strategies.	↔
<b>Regulatory Risk</b>	Risks associated with the failure to comply with laws, rules, regulations, prescribed practices or ethical standards within which the Corporation is governed.	↔
<b>Operational Risk</b>	Risks associated with the performance of business functions or processes within the Corporation. Risks may arise from deficiencies or breakdowns relative to the control environment, technology and information systems, human capital or communication methods.	↔
<b>Financial Risk</b>	Risks associated with the Corporation’s ability to meet financial obligations and prudently manage its fiscal responsibilities.	↔

Legend      Increased       Unchanged       Decreased 

## 2021 Risk Assessment

Saskatchewan credit unions were challenged in 2021 with an economy that was hard hit by drought conditions, its effects in the agriculture sector, challenges in the resource sector and a lasting global pandemic. Credit unions, with strong levels of capital and liquidity, have taken additional operational steps to maintain and enhance financial positions. While the pandemic continued to impact lives and activities, there were no severe economic impacts triggering new regulatory easing measures in 2021. We continue to be focused on our mandate and vision, ensuring strong and stable financial institutions and providing prudential oversight while ensuring regulatory requirements are appropriate.

## FINANCIAL SUMMARY

### Deposit Guarantee Fund

The Fund began with credit union contributions in 1953, and has grown to be one of the strongest funds in North America. The Fund is sustained by investment interest and annual assessments paid by PRFIs and covers the costs of the Corporation’s deposit protection and regulatory responsibilities.

The Corporation offers a full guarantee on deposits held in Saskatchewan credit unions through a long-established approach to protecting depositors that include three lines of defence:

- a regulatory framework that ensures PRFIs adhere to the Standards of Sound Business Practice, Prudential Standards and regulatory guidance provided by the Corporation;
- strong levels of capital and liquidity that support operations including business risks. The reserves of PRFIs in Saskatchewan are among the strongest in Canada; and,
- the Fund as the last line of defence.

The board-approved target range for the Fund is 1.4% to 1.6% of total deposits held by Saskatchewan credit unions, plus the amount of any deficiencies in credit unions’ regulatory capital. The strategic intent of the target range is to instill confidence, accommodate all anticipated risks to the Fund during normal business cycles, and provide protection during difficult periods.

At December 31, 2021, the balance of the Fund was \$361.9 million (2020: \$350.1 million), representing 1.51% of total credit union deposits (2020: 1.53%).

### Guarantee Fund Balance

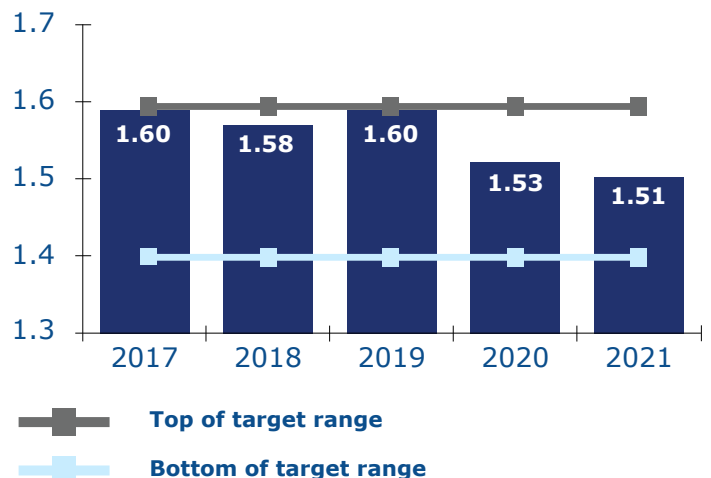
in \$ millions (as of December 31)



### Guarantee Fund Balance

% of total credit union deposits plus capital deficiencies

(as of December 31)

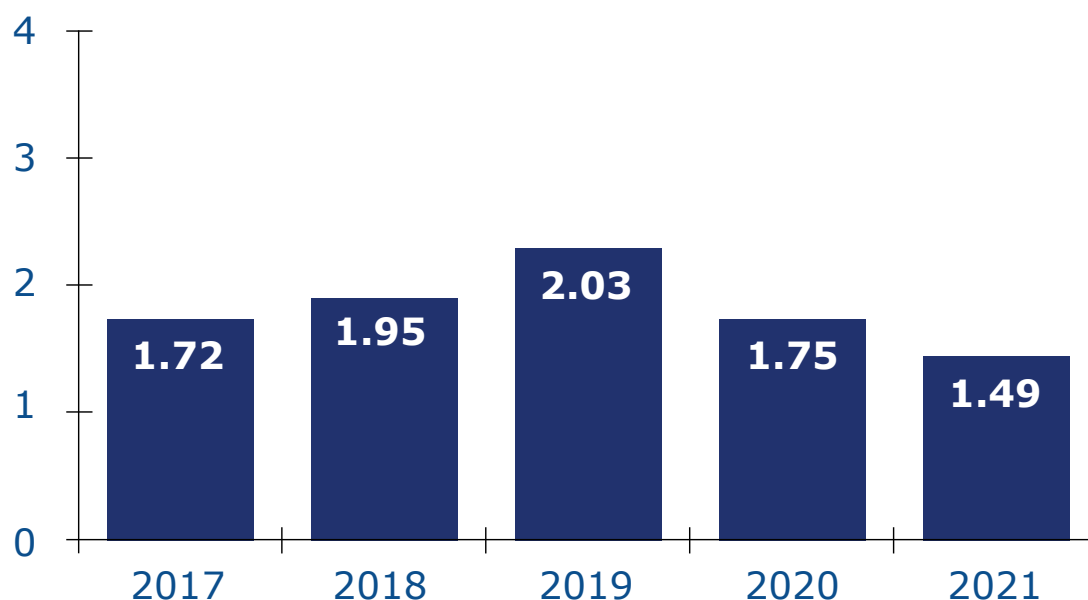


The assessment charged to credit unions in 2021 was 0.08%, which was consistent with assessments in previous year.

The Fund also generates revenue due to its investments. At December 31, 2021, the overall yield was 1.49% (2020: 1.75%).

## Yield on Investments (%)

(as of December 31)



### Income and Assessments

In Thousands (\$)	2017	2018	2019	2020	2021
Credit union assessments	14,741	15,242	16,203	16,752	18,305
SaskCentral assessment	66	80	95	97	100
Interest from investments	5,194	5,636	6,517	6,705	6,012
Recovery from unclaimed balances	-	-	-	-	9
<b>Total</b>	<b>20,001</b>	<b>20,958</b>	<b>22,815</b>	<b>23,554</b>	<b>24,426</b>

### Expenses

In Thousands (\$)	2017	2018	2019	2020	2021
Financial assistance	7,250	200	-	3,107	6,193
Registrar's fees	300	300	300	300	300
Operational services	5,799	5,760	6,004	5,940	6,265
<b>Total</b>	<b>13,349</b>	<b>6,260</b>	<b>6,304</b>	<b>9,347</b>	<b>12,758</b>

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements were prepared by the Corporation's management, who is responsible for developing and ensuring the integrity, reliability and completeness of the information presented. This responsibility includes the selection of appropriate accounting policies and making objective judgements and estimates in accordance with International Financial Reporting Standards.

In discharging these responsibilities, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, proper records maintained and assets safeguarded.

The audit committee, on behalf of the board of directors of the Corporation, oversees management's responsibilities for financial reporting and internal control systems. The board of directors and the audit committee are composed entirely of directors who are neither management nor employees of the Corporation. The audit committee reviews the financial statements prior to recommending approval to the board. Other responsibilities of the audit committee include meeting regularly with management, internal audit and the Corporation's external auditors.

The audit committee recommends the appointment of the external auditor to the board, to perform an independent audit of the financial statements and provide an opinion thereon; their report is presented separately.



Brent Schellenberg  
Chief Executive Officer



Deanna Bergbusch  
Vice-President, Corporate Operations

March 10, 2022



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

Tel: 306-565-5200  
Fax: 306-757-4753  
[www.deloitte.ca](http://www.deloitte.ca)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Credit Union Deposit Guarantee Corporation

### Opinion

We have audited the financial statements of Credit Union Deposit Guarantee Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of operations, other comprehensive income and fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

### Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

*Deloitte LLP*

Chartered Professional Accountants  
March 10, 2022  
Regina, Saskatchewan

## 2021 FINANCIAL STATEMENTS

### Credit Union Deposit Guarantee Corporation

#### STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands)

	2021	2020
	\$	\$
<b>Assets</b>		
Cash	988	804
Investments, net of impairment [note 4, 9, 12 and 14]	361,771	353,585
Other assets [note 5]	552	549
	<b>363,311</b>	<b>354,938</b>
<b>Liabilities</b>		
Accrual for financial assistance [note 6]	-	3,107
Accounts payable and other liabilities [note 7]	1,453	1,673
Income tax payable [note 8]	-	23
	<b>1,453</b>	<b>4,803</b>
<b>Fund balance</b>		
Deposit Guarantee Fund [note 13]	361,858	350,135
	<b>363,311</b>	<b>354,938</b>

See accompanying notes

On behalf of the Board of Directors:



Director



Director

**Credit Union Deposit Guarantee Corporation**

**STATEMENT OF OPERATIONS, OTHER COMPREHENSIVE  
INCOME AND FUND BALANCE**

**For the year ended December 31**  
(in thousands)

	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Revenue</b>		
Credit union assessment	<b>18,305</b>	16,752
Credit Union Central of Saskatchewan assessment	<b>100</b>	97
Interest from investments	<b>6,012</b>	6,705
Recovery from unclaimed balances [note 7]	<b>9</b>	-
	<b>24,426</b>	23,554
<b>Expenses</b>		
Financial assistance [note 6]	<b>6,193</b>	3,107
Registrar's fees	<b>300</b>	300
Operational services [note 10]	<b>6,265</b>	5,940
	<b>12,758</b>	9,347
Income before provision for credit losses and income taxes	<b>11,668</b>	14,207
Impairment on financial assets [note 4 and 12]	<b>2</b>	42
Income tax (recovery) expense [note 8]	<b>(57)</b>	45
<b>Net income and total comprehensive income</b>	<b>11,723</b>	14,120
Fund balance, beginning of year	<b>350,135</b>	336,015
Net income and total comprehensive income	<b>11,723</b>	14,120
<b>Fund balance, end of year</b>	<b>361,858</b>	350,135
See accompanying notes		

## Credit Union Deposit Guarantee Corporation

## STATEMENT OF CASH FLOWS

For the year ended December 31

(in thousands)

	2021 \$	2020 \$
<b>Cash flows from operating activities</b>		
Net income and total comprehensive income	11,723	14,120
Adjustments for:		
Amortization of investment premiums	3,122	1,943
Interest from investments	(6,012)	(8,648)
Impairment on financial assets	2	42
Income tax (recovery) expense	(57)	45
Depreciation	99	108
Recovery from unclaimed balances	(9)	-
Changes in non-cash working capital:		
Accounts receivable	-	3
Prepaid expenses	(2)	(4)
Accrual for financial assistance	(3,107)	3,107
Accounts payable and other liabilities	(120)	(226)
Interest received	5,911	8,468
Revaluation gain on lease modification	-	(1)
Income tax paid	(65)	(56)
<b>Cash flows from operating activities</b>	<b>11,485</b>	<b>18,901</b>
<b>Cash flows used in financing activities</b>		
Repayment of lease liabilities	(91)	(95)
<b>Cash flows used in financing activities</b>	<b>(91)</b>	<b>(95)</b>
<b>Cash flows used in investing activities</b>		
Purchase of investments	(137,540)	(125,857)
Proceeds from redemption of investments	126,330	107,025
<b>Cash flows used in investing activities</b>	<b>(11,210)</b>	<b>(18,832)</b>
<b>Net increase (decrease) in cash</b>	<b>184</b>	<b>(26)</b>
Cash, beginning of year	804	830
<b>Cash, end of year</b>	<b>988</b>	<b>804</b>

See accompanying notes

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

#### 1. NATURE OF OPERATIONS

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral), together, Provincially Regulated Financial Institutions or "PRFIs", as directed in provincial legislation — *The Credit Union Act, 1998* (the CU Act) and *The Credit Union Central of Saskatchewan Act, 2016* (the CUCS Act). The Corporation instills confidence in the province's credit union system with a mandate of:

- guaranteeing the repayment of deposits in Saskatchewan credit unions;
- establishing regulatory standards and ensuring PRFIs are performing to those standards;
- promoting responsible governance by PRFIs, and contributing to the strength and stability of the credit union system;
- directing PRFIs to take remedial action on material deficiencies, and any issue that may put depositors' funds at risk; and
- maintaining and managing a guarantee fund in a sound and prudent manner.

The Corporation is a body corporate established and continued by Section 442 of the CU Act. It has existed since July 1, 1952, and commenced operations in 1953. The Corporation operates within policies and standards established by its board of directors (the board). Management exercises judgment in establishing financial commitments.

The Corporation is domiciled in Canada. The address of the Corporation's office is 2055 Albert Street, Regina, Saskatchewan, S4P 3G8.

Prevention is a primary deposit protection strategy for the Corporation. Programs are sponsored and developed to strengthen the knowledge and skills of credit union decision-makers. The Corporation employs proactive, risk-based approaches to monitoring performance of PRFIs to ensure early identification of risks and actions required to protect deposits.

#### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

##### a) Statement of compliance

The financial statements have been prepared in accordance with subsection 457(3) of the CU Act. Section 457 states that, except as otherwise specified in the regulations, the annual statements must be prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). Canadian GAAP for publicly accountable enterprises is International Financial Reporting Standards (IFRS). The Corporation's financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements for the year ended December 31, 2021, were authorized for issue by the board on March 10, 2022.

##### b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

##### c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

### d) Use of estimates and judgments

The COVID-19 pandemic has resulted in an economic slowdown. The duration and impact of the COVID-19 pandemic are unknown at this time. Estimates to the extent which the COVID-19 pandemic may, directly or indirectly, impact the Corporation's operations, financial results and conditions in future periods are also subject to uncertainty.

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates thereby affecting the financial statements. Management believes that the underlying assumptions are appropriate and that the Corporation's financial statements fairly present its financial position and operating results.

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.

The most significant use of judgments and estimates is discussed in Note 3(d) provision for financial assistance.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Financial instruments

#### i) Financial assets and financial liabilities

##### *Classification and measurement of financial assets and financial liabilities*

Financial assets and financial liabilities are initially recognized at their fair value when the Corporation becomes a party to the contractual provisions of the financial instrument.

The subsequent measurement classification of financial assets is based on the Corporation's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Specifically, debt instruments that are held within a business model whose objective is to collect contractual cash flows and that have contractual cash flows that are SPPI on the principal amount outstanding are subsequently measured at amortized cost. All financial liabilities are subsequently measured at amortized cost.

##### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Corporation changes its business model for managing financial assets. There were no changes to the Corporation's business model for the year ended December 31, 2021.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) Financial instruments (continued)

##### ii) Effective interest method

The effective interest method is used to calculate the amortized cost of a financial asset or financial liability and to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

Interest from investments presented in the statement of operations, other comprehensive income and fund balance includes interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

##### iii) Cash

Cash consists of cash on hand and on deposit.

##### iv) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. The Corporation recognizes material transaction costs as part of the carrying amount of all financial instruments.

##### v) Fair value

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, the Corporation 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 disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of their inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) Financial instruments (continued)

##### vi) Financial asset impairment

Impairment of debt instruments measured at amortized cost is calculated using the expected credit loss (ECL) approach. The impairment of financial assets is presented in the statement of financial position as a deduction from the gross carrying amount of investments.

##### *Expected credit loss impairment model*

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

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

##### *Significant increase in credit risk*

At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information with the impact of forward-looking macroeconomic factors.

##### *Write-Off*

The Corporation writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. In subsequent periods, any recoveries of amounts previously written off are credited to impairment on financial assets in the statement of operations, other comprehensive income and fund balance. No financial assets, either partially or in full, were written off during the year.

#### b) Revenue recognition

Revenue is measured based on the considerations specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of a product or service to a customer.

##### *Nature of goods and services*

The Corporation earns assessment revenue outside of income from interest on investments. Assessment revenue is recognized based on the services provided by the Corporation in accordance with the CU Act and the CUCS Act. The consideration received for providing these services does not include any significant financing components that are not included in the transaction price.

**Credit Union Deposit Guarantee Corporation****NOTES TO THE FINANCIAL STATEMENTS****(in thousands)**

Year ended December 31

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****b) Revenue recognition (continued)***Assessment revenue*

The Corporation's principal activity from which it generates revenue is to serve as the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and SaskCentral. The revenue is composed of deposit assessments charged to Saskatchewan credit unions based on a percent of total credit union deposit balances of the preceding fiscal year, and a regulatory assessment charged to SaskCentral. The assessments are charged to credit unions and SaskCentral annually for which payment is due immediately upon demand. The performance obligations are satisfied over time as services are provided over time. Accordingly, revenue is recognized monthly. Rebates for deposit assessment revenue may be recognized when authorized by the board. During the year, no rebates for deposit assessment revenue were recognized.

**c) Interest from investments**

Investment interest income is recognized on the accrual basis using the effective interest method. Purchased premiums and discounts are amortized using the effective interest method over the term to maturity of the applicable investment.

**d) Provision for financial assistance**

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount, timing and form of financial assistance that may be required for credit unions are dependent on future events and outcomes. Outcomes that may require financial assistance are stabilization, amalgamations, arrangements, liquidations or dissolutions.

The Corporation provides for a provision for financial assistance based on three main components, as follows:

1. Where the need for financial assistance becomes likely and the amount for specific credit unions can reasonably be estimated.
2. Where the amount can be reasonably estimated and arises from an indemnity agreement entered into with credit unions due to outcomes.
3. Where the Corporation has determined there is the potential for financial assistance based on analysis of the inherent risks in the credit union system.

Credit union analysis for potential liabilities includes a review of all credit unions based on key financial and risk information and provisions related to amalgamations or arrangements and any indemnity agreements. Provisions are estimated by the Corporation based on the most reliable information available at the time the provision is made.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Employee future benefits

The Corporation's employee future benefit program is a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions to the Co-operative Superannuation Society (CSS) Pension Plan. The Corporation has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to provide pension benefits commensurate with past services.

The Corporation's contributions to the defined contribution plan are expensed as incurred. Pension funds of \$233 (2020 – \$226) were paid to defined contribution retirement plans during the year.

#### f) Taxation

##### Current income tax

Income tax expense comprises current taxes and is recognized in the statement of operations, other comprehensive income and fund balance. Income tax (receivable) payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as a (recovery) expense for the period.

##### Deferred income 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 Corporation's financial statements.

## Credit Union Deposit Guarantee Corporation

NOTES TO THE FINANCIAL STATEMENTS  
(in thousands)

Year ended December 31

## 4. INVESTMENTS, NET OF IMPAIRMENT

The Corporation invests in fixed income securities with priority on safety, liquidity and return, with repricing dates matching maturity dates for the majority of its investments.

Category	2021 \$			2020 \$			
	Term to maturity			Carrying value	Fair value	Carrying value	Fair value
0 to 1 Year	1 to 3 Years	3 to 5 Years					
Government of Canada	<b>23,422</b>	<b>30,382</b>	<b>7,386</b>	<b>61,190</b>	<b>61,683</b>	57,008	58,523
Yield <sup>(1)</sup>	<b>1.99%</b>	<b>1.66%</b>	<b>1.46%</b>	<b>1.76%</b>		1.88%	
Provincial governments	<b>27,153</b>	<b>66,584</b>	<b>37,780</b>	<b>131,517</b>	<b>130,489</b>	142,362	144,504
Yield <sup>(1)</sup>	<b>2.19%</b>	<b>0.89%</b>	<b>1.11%</b>	<b>1.22%</b>		1.53%	
Municipals	-	<b>2,021</b>	<b>8,940</b>	<b>10,961</b>	<b>10,902</b>	14,061	14,254
Yield <sup>(1)</sup>	-	<b>1.76%</b>	<b>1.22%</b>	<b>1.32%</b>		1.67%	
Chartered banks	<b>20,508</b>	<b>40,408</b>	<b>42,872</b>	<b>103,788</b>	<b>103,423</b>	103,433	105,244
Yield <sup>(1)</sup>	<b>2.25%</b>	<b>1.49%</b>	<b>1.55%</b>	<b>1.67%</b>		1.96%	
Commercial securities	<b>9,070</b>	<b>18,554</b>	<b>25,050</b>	<b>52,674</b>	<b>52,230</b>	35,179	35,733
Yield <sup>(1)</sup>	<b>2.30%</b>	<b>1.18%</b>	<b>1.63%</b>	<b>1.59%</b>		1.87%	
	<b>80,153</b>	<b>157,949</b>	<b>122,028</b>	<b>360,130</b>	<b>358,727</b>	352,043	358,258
Accrued interest				<b>1,724</b>		1,623	
Impairment on financial assets				<b>(83)</b>		(81)	
				<b>361,771</b>		353,585	

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

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS (in thousands)

Year ended December 31

#### 5. OTHER ASSETS

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Right-of-use assets	<b>409</b>	507
Income tax receivable	<b>98</b>	-
Prepaid expenses	<b>28</b>	26
Deferred income tax assets	<b>15</b>	13
Accounts receivable	<b>2</b>	2
Equipment	<b>-</b>	1
	<b>552</b>	549

The Corporation has lease contracts for its office and parking spaces, expiring February 28, 2026.

#### 6. FINANCIAL ASSISTANCE

The Corporation expensed credit union amalgamation assistance of \$6,193 in 2021 (2020 – \$3,107) with the total funds being disbursed on December 21, 2021. The provision made in the prior year was based on the financial assistance required to bring that credit union to minimum regulatory capital levels.

#### 7. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable are generally paid within three months with the exception of unclaimed balances that are due on demand and the lease liabilities which amortize over the term of the lease.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	<b>356</b>	434
Unclaimed balances	<b>669</b>	720
Lease liabilities	<b>428</b>	519
	<b>1,453</b>	1,673

The Corporation is responsible to administer unclaimed balances received from credit unions pursuant to subsection 71(1) of the CU Act, and subsections 10(1) and 11(1) of The Credit Union Regulations, 1999. The Corporation's policy is to retain unclaimed balances in accounts payable for 25 years following date of receipt by the Corporation, after which time these balances are recognized into income.

During the year, \$9 (2020 – \$nil) was recognized as income as the Corporation held the unclaimed balance for 25 years following date of receipt.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

#### 8. INCOME TAXES

The components of income tax (receivable) payable in the statement of financial position is as follows:

	2021	2020
	\$	\$
Current income tax expense		
Relating to the current year	(56)	51
Deferred income tax recovery		
Origination and reversal of temporary differences	(1)	(6)
	<b>(57)</b>	45

Reconciliation of income tax (recovery) expense included in the statement of operations, other comprehensive income and fund balance is as follows:

	2021	2020
	\$	\$
Income tax expense calculated at 9.0% (2020 – 10.5%)	1,050	1,487
Adjustments for the effect of:		
Non-taxable income*	(1,657)	(1,769)
Expenses not deductible for tax purposes*	558	327
Impact of tax rate changes	(8)	-
	<b>(57)</b>	45

\*Credit union and SaskCentral assessments and financial assistance are non-taxable transactions.

#### 9. LINES OF CREDIT

The Corporation has the following authorized lines of credit available:

	2021	2020
	\$	\$
Operating line of credit	2,000	2,000
Line of credit for financial assistance	10,000	10,000
	<b>12,000</b>	12,000

The Corporation has a credit facility with a major Schedule 1 Canadian Bank for \$12,000 (2020 – \$12,000) where the Corporation is required to maintain more than fifty percent of its current asset management portfolio with the institution, based on most recent market values. The facility bears interest equal to the lending institution's floating prime rate minus 0.25% per annum. The lending institution's current floating prime rate is 2.45% (2020 – 2.45%). All amounts under this credit are repayable upon demand and are unsecured as the Corporation has pledged no assets.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS (in thousands)

Year ended December 31

#### 10. OPERATIONAL SERVICES EXPENSES

	2021	2020
	\$	\$
Corporate governance	97	85
Salaries and benefits	4,006	3,975
Technology	845	687
Professional fees	474	296
Travel	22	24
Facilities	87	91
Contract services	417	437
Depreciation	99	108
Preventive services	8	11
Interest paid on lease liabilities	12	12
Other	198	214
	<b>6,265</b>	<b>5,940</b>

Corporate governance and salaries and benefits expenses include payments to the board and executive management.

#### 11. RELATED PARTY TRANSACTIONS

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.

##### Key management compensation

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly and as such are related parties. The Corporation's KMP are the board and executive management.

The following is compensation of KMP, as included in Note 10.

	2021	2020
	\$	\$
The board and board committees		
Per diems, honorariums and other benefits	72	66
Executive management		
Salaries and other short-term employee benefits	828	997
Post-employment benefits	82	87
	<b>910</b>	<b>1,084</b>
	<b>982</b>	<b>1,150</b>

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

#### 12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The nature of the Corporation's holdings of financial instruments exposes the Corporation to credit, market and liquidity risk.

##### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability or unwillingness to fulfill its payment obligations. Credit risk may arise from principal and interest amounts on the Corporation's investment portfolio.

The Corporation manages credit risk through adherence to board-approved policy and practice for the acquisition of investments. Safety of principal is accomplished by ensuring that all investments purchased are reasonable and prudent. Investment decisions are made with due diligence to avoid undue risk of loss while obtaining a reasonable return. The Corporation has established a listing of eligible investments, based on high credit quality ratings from external rating agencies, that meet the above requirements.

The Corporation monitors investments on a monthly basis. The status of the investment portfolio in relation to performance targets and limits is reported to the board at each regular board meeting. An exception to policy will be immediately reported to the chief executive officer and in writing to the audit committee.

The Corporation's investment portfolio credit quality ratings are as follows:

Investment portfolio rating*	2021 Carrying Amount \$	2020 Carrying Amount \$
AAA	63,212	59,771
AA	208,531	224,408
A	71,123	62,804
BBB	17,264	5,060
	<b>360,130</b>	352,043
Accrued interest	1,724	1,623
Impairment on financial assets	(83)	(81)
Investments, net of impairment	<b>361,771</b>	353,585

\*per external rating agencies

##### Market risk

Market risk is the risk of loss that may arise from changes in market factors, notably interest rates. Interest rate risk is the potential adverse impact on income due to changes in interest rates. The Corporation's policy is to primarily invest in fixed income securities and to purchase with the intent to hold to maturity. Accordingly, interest rate risk arises from the re-pricing of investments as they mature.

The Corporation will not participate in lending of securities or purchasing of investments in foreign currencies, nor participate in derivative transactions. These policies help to mitigate the Corporation's exposure to market risk.

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

## 12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

### Market risk (continued)

The investment portfolio is monitored by management on a monthly basis to ensure compliance with the policies and reported to the board at each regular board meeting.

The fair value of the investment portfolio is subject to fluctuation as a result of normal market risk. The principal factor influencing the fair value is the prevailing rate of interest. Applying a present value calculation demonstrates that an increase of 1% in interest rates will result in a decrease of approximately \$7,756 or 2.21% (2020 – \$6,231 or 1.77%) in the fair value of the investment portfolio. Conversely, a decrease of 1% in interest rates will result in an increase in the fair value of the same amount. Changes to interest rates have no impact on net income because investments are classified as measured at amortized cost.

### Liquidity risk

Liquidity risk arises from the inability to generate or obtain the necessary cash or its equivalents in a timely manner, at a reasonable price, to meet organizational commitments. In particular, the risk arises from failure to meet the Corporation's day-to-day operational needs or deposit protection obligations.

The Corporation must maintain sufficient liquidity to meet its cash flow obligations. The ability of the Corporation to meet cash flow obligations is achieved by the structure of investments and identification of operational requirements. Accordingly, the Corporation's investment policy includes liquidity score parameters to help mitigate liquidity risk. The status of the investment portfolio in relation to these parameters is monitored on a regular basis and reported to the board at each regular board meeting.

The liquidity score is a weighted average rating calculated on the investment portfolio that reflects probable loss upon immediate liquidation. The rating criteria are described as follows:

- Rating 4 – investments can be sold immediately to any dealer
- Rating 3 – investments can be sold quickly (i.e. within two business days), with a pricing discount that is not anticipated to be significant
- Rating 2 – investments can be sold, however there are limited buyers, it may take up to five business days to execute a sale and the pricing discount is anticipated to be moderate to significant
- Rating 1 – investments can be sold, however there are very limited buyers, it may take a prolonged period of time to execute a sale and the pricing discount is anticipated to be severe
- Rating 0 – investments are illiquid and unable to be sold

The Corporation's policy is to maintain a minimum liquidity score of 3.0. At December 31, the liquidity score is 3.4 (2020 – 3.5).

To further manage liquidity risk, the Corporation has \$12,000 (2020 – \$12,000) in authorized lines of credit available (Note 9).

## Credit Union Deposit Guarantee Corporation

### NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

#### 13. FUND MANAGEMENT

The Corporation's objective when managing the Fund is to establish a fund target range that instills confidence, comfortably accommodating all anticipated risks to the Fund during normal business cycles and provides a cushion in more difficult periods. The current target range for the Fund is 1.4% to 1.6% of total deposits, plus the amount of any deficiencies in credit unions' regulatory capital. At December 31, the Fund is 1.51% of total deposits, with no credit union capital deficiencies (2020 – 1.53% with one credit union capital deficiency).

#### 14. FAIR VALUE MEASUREMENT

##### Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosure is required)

The Corporation considers the carrying amount of financial assets and financial liabilities, other than investments, recognized in the financial statements to approximate their fair values. Investments are measured at amortized cost and the fair value of investments is disclosed in Note 4.

	2021	2020
	\$	\$
<b>Fair value hierarchy investments</b>		
<b>Level 1</b>	-	-
<b>Level 2</b>	<b>358,727</b>	358,258
<b>Level 3</b>	-	-
	<b>358,727</b>	358,258

The fair values of the financial assets included in the Level 2 category above have been determined in accordance with generally accepted pricing models based on either quoted prices obtained from Bloomberg or a discounted cash flow analysis, with the most significant inputs being the appropriate discount rate for the instrument, which is obtained from observable data for similar instruments.

There have been no transfers between levels in the hierarchy and no changes to the valuation methods during the period.

## SASKATCHEWAN CREDIT UNIONS

Regulated credit unions in Saskatchewan as of December 31, 2021.

<b>Credit Union Name</b>	<b>Head Office</b>
<b>Accent Credit Union</b>	<b>Quill lake</b>
<b>Affinity Credit Union 2013</b>	<b>Saskatoon</b>
<b>Bengough Credit Union</b>	<b>Bengough</b>
<b>Biggar and District Credit Union</b>	<b>Biggar</b>
<b>Bruno Savings and Credit Union Limited</b>	<b>Bruno</b>
<b>Churchbridge Credit Union</b>	<b>Churchbridge</b>
<b>CONEXUS Credit Union 2006</b>	<b>Regina</b>
<b>Cornerstone Credit Union Financial Group Limited</b>	<b>Yorkton</b>
<b>Crossroads Credit Union</b>	<b>Canora</b>
<b>Cypress Credit Union Limited</b>	<b>Maple Creek</b>
<b>Diamond North Credit Union</b>	<b>Nipawin</b>
<b>Dodsland and District Credit Union Limited</b>	<b>Dodsland</b>
<b>Earl Grey Credit Union Limited</b>	<b>Earl Grey</b>
<b>Edam Credit Union Limited</b>	<b>Edam</b>
<b>Foam Lake Savings and Credit Union Limited</b>	<b>Foam Lake</b>
<b>Innovation Credit Union</b>	<b>Swift Current</b>
<b>Kerrobert Credit Union Limited</b>	<b>Kerrobert</b>
<b>Lafleche Credit Union Limited</b>	<b>Lafleche</b>
<b>LeRoy Credit Union Limited</b>	<b>LeRoy</b>
<b>Luseland Credit Union Limited</b>	<b>Luseland</b>
<b>New Community Credit Union</b>	<b>Saskatoon</b>
<b>North Valley Credit Union</b>	<b>Esterhazy</b>
<b>Prairie Centre Credit Union (2006) Limited</b>	<b>Rosetown</b>
<b>Prairie Pride Credit Union</b>	<b>Alameda</b>
<b>Radius Credit Union Limited</b>	<b>Ogema</b>
<b>Raymore Savings and Credit Union Limited</b>	<b>Raymore</b>
<b>Rockglen-Killdeer Credit Union Limited</b>	<b>Rockglen</b>
<b>Sandhills Credit Union Limited</b>	<b>Leader</b>
<b>Saskatoon City Employees Credit Union</b>	<b>Saskatoon</b>
<b>St. Gregor Credit Union, Limited</b>	<b>St. Gregor</b>
<b>Stoughton Credit Union Limited</b>	<b>Stoughton</b>
<b>Synergy Credit Union Ltd.</b>	<b>Lloydminster</b>
<b>TCU Financial Group Credit Union</b>	<b>Saskatoon</b>
<b>Turtleford Credit Union Limited</b>	<b>Turtleford</b>
<b>Unity Credit Union Limited</b>	<b>Unity</b>
<b>Weyburn Credit Union Limited</b>	<b>Weyburn</b>

## **OPERATING PRINCIPLES**

Our principles provide direction on how to carry out the Corporation's roles and responsibilities. They are what make us unique. These philosophical insights have contributed to the Corporation's notable success throughout its history and provide guidance in shaping the Corporation's future.

## **EFFECTIVE REGULATION**

As the primary prudential and solvency regulator, we support and encourage a successful credit union system by working with stakeholders to balance prudential regulation with market forces.

We recognize the need for PRFIs to evolve in the marketplace and we support a strong and prosperous credit union system by:

- focusing on the future of the financial services industry,
- striving to implement industry best practices where it is reasonable to do so, and
- developing flexible and enabling approaches to effective and efficient regulation.

Our role is to regulate, not to manage. Our actions demonstrate our preference to prescribe rather than restrict, and demonstrate our respect for a credit union's right to determine its own destiny.

We believe that effective deposit protection is accomplished through investments in prevention including:

- analyzing PRFIs' performance on an ongoing basis to ensure early identification of potential risks,
- communicating our expectations, and
- sponsoring and promoting programs that strengthen the knowledge and skills of credit union decision makers.

## **AUTHORITY, RESPONSIBILITY, ACCOUNTABILITY**

### **Authority**

We clearly communicate to all stakeholders our authority to take action to protect deposits. The Corporation has the authority to act to fulfill its deposit protection responsibilities in the best interests of PRFIs.

### **Responsibility**

We exercise great care and judgment in carrying out the authority that has been granted to us and we are responsible to act when others are either unwilling or unable to take action on matters concerning credit union and system solvency and the safety of deposits.

### **Accountability**

We demonstrate accountability through fiscal responsibility. We pursue economical business solutions to protect deposits and minimize costs to the PRFIs and our operating methods demonstrate effective and efficient use of system resources.

## **OBJECTIVITY AND INDEPENDENCE**

Our actions are free of influence, interest or relationship that would impair professional judgment or objectivity. We act independently and in the best interests of the Corporation to protect depositors' funds. We carry out our responsibilities fairly and consistently, basing decisions on careful analysis of facts.

## **OPENNESS**

We communicate openly with all stakeholders. We respect our stakeholders' rights to privacy and confidentiality of information. We value the opinions and ideas of our stakeholders and take care to ensure that we consult with them on matters that affect them.

### **Collaborative Relationships**

Through constructive relationships with our stakeholders, we create opportunities to enhance the overall quality and effectiveness of our results.

We believe that the best solutions are arrived at by working with others to build common understanding and to identify and achieve common goals.



CREDIT UNION DEPOSIT GUARANTEE CORPORATION

P.O. Box 3030  
2055 Albert Street  
Regina, Saskatchewan  
S4P 3G8

Phone: (306) 566-1286  
Fax: (306) 566-1770  
Website: [www.cudgc.sk.ca](http://www.cudgc.sk.ca)  
Email: [cudgcweb@cudgc.sk.ca](mailto:cudgcweb@cudgc.sk.ca)