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Deposit Protection and Regulatory Excellence

2023 ANNUAL REPORT | CUDGC.CA

MANDATE

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan provincially regulated credit unions (Saskatchewan Credit Unions). The Corporation is also the primary regulator for Saskatchewan 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 Saskatchewan’s provincially regulated credit union system (the 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 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 provincially regulated 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 Saskatchewan 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 Saskatchewan Credit Union’s ability to compete in the market.

Leadership: We use our knowledge of the 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 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 2023 Annual Report for the Credit Union Deposit Guarantee Corporation of Saskatchewan (the Corporation). The

Corporation provides an unlimited guarantee for Saskatchewan provincially regulated credit union (Saskatchewan Credit Union) deposits and promotes responsible governance by Saskatchewan Credit Unions and SaskCentral, which contributes to the strength and stability of our provincial System.

As board members, 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. We provide oversight for an organization whose purpose is to instill public confidence in the 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.

In April 2023, our annual strategic planning session took place with our board and executive management team. This session focused on identifying potential strategies that could be leveraged by the Corporation to enhance strategic discussions and to review processes to ensure we mitigate risks. Key themes included using governance training concepts to encourage discussion and support continued effective board governance; reviewing measures and thresholds for individual risks; and ensuring cybersecurity is reflected in the Corporation's risk appetite framework.

The Board is sensitive to the changing environment that is impacting the financial industry, including consolidation in all credit union systems, regulatory change, technology and digitization, cybersecurity pressures, and human resource challenges. As a System and as an organization, we have experienced changes which include one of our credit unions continuing federally, moving from provincial regulation to the federal regulatory regime. As we look to the future, we will continue to consider these risks to guide the Corporation's strategic direction.

I would like to acknowledge some changes on our Board in 2023. The Selection Committee conducted a recruitment process to fill one independent director position. In January 2023, Suzanne Anton was appointed by the Selection Committee as an independent director. Suzanne's three-year term became effective January 15, 2023. Long serving director, audit committee member, and audit committee chair, Bob Watt, completed his term in January 2023. Bob's leadership and diligence, as audit chair since 2017, was instrumental in the establishment and development of an effective and efficient audit committee. The Corporation would like to thank Bob for his dedication and service to the board.

In 2023, the Corporation accomplished significant progress towards the business plan and delivered impressive results. The Corporation continues to take a prudential approach to regulation and the System continues to function well with this approach in place. 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 2023. They continued to have a leadership role in their work within the province and with other provincial jurisdictions and continued to ensure the Corporation's regulatory framework is aligned with best practices.

Kerry Tarasoff



REPORT FROM THE CEO

2023 marks another year of navigating the changing regulatory landscape and economic environment. I am pleased to reflect on our strategies and accomplishments that

contribute to sustained success and highlight the Corporation's continued focus on instilling confidence in the System.

The Corporation has made significant progress towards enhancing our crisis management framework. This initiative, spanning several years, has involved regular reviews to ensure alignment with Basel Core Principles for Effective Banking Supervision (Basel) and International Association of Deposit Insurers (IADI) core principles, leading to identified areas for improvement. A focus of this effort has been the exploration of access to additional funding through Bank of Canada liquidity facilities, to enhance our safety nets. Our efforts have included significant engagement with the provincial government and stakeholders to secure understanding and support. In 2023, the Corporation was involved in significant engagement, resulting in advocacy of the federal government to seek legislative changes that will support the continued strength of the System.

The collective efforts and engagement of staff have been instrumental in managing a large volume of work due to changes in the Standards of Sound Business Practice (the Standards). Notably, collaboration and engagement have been key, with the Corporation and Provincially Regulated Financial Institutions (PRFIs) working together to ensure understanding and towards a seamless transition for the implementation of the new Standards, becoming effective in 2024.

The stability of the System was reflected in the financial performance of PRFIs in 2023. PRFIs remained profitable and continue to hold robust levels of capital and liquidity. Asset and loan growth exceeded results from prior years, suggesting PRFIs remain competitive in the high interest rate environment. Loan delinquency remains at its lowest level in over five-years, which reflects enhanced credit management practices by Saskatchewan Credit Unions. PRFIs participation in the Corporation's System meeting and in consultation processes reflect the dedication and collaboration within the System. The strong aggregate results of the System, combined with the Deposit Guarantee Fund (the Fund) remaining one of the strongest funds in the country, position the System well for continued strength and stability going forward. As of December 31, 2023, the Fund represented 1.76% of Saskatchewan Credit Unions deposits; with the Fund target being 1.6% to 1.8%.

Looking to 2024, the Corporation will continue our efforts around crisis preparedness, engaging with stakeholders, and will also focus on depositor awareness. The Corporation is committed to our ongoing engagement with the System, and I would like to take this opportunity to thank credit unions, SaskCentral, and stakeholders for their efforts in 2023 and look forward to continued collaboration with them in 2024.

The Corporation's employees continue to demonstrate their commitment, knowledge, and skills through completion of our core responsibilities as well as the business plan initiatives. I would like to take this opportunity to acknowledge their excellent work in 2023. In bringing this annual report to a close, I am reminded of these accomplishments we have achieved together!

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

CORPORATE GOVERNANCE

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 SaskCentral.

The Credit Union Act, 1998 requires a Selection Committee (the Committee) that selects individuals for appointment to the board. The Committee, consisting of equal representation from the Ministry of Justice and SaskCentral, 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.

The Committee conducted a recruitment process to fill an independent director position in 2023. In January 2023, Suzanne Anton was appointed by the Selection Committee as an independent director. Suzanne's three-year term became effective January 15, 2023. Long serving director, Bob Watt, completed his term in January 2023.

The Corporation's board was composed of the following individuals in 2023:



CATHERINE BENNING, KC
 MINISTRY OF JUSTICE APPOINTEE

Catherine Benning was appointed Director, Public Registry Administration, Ministry of Justice in May 2013, and has held several statutory positions related to the registries including Registrar of Titles, Registrar of Personal Property Security, Deputy Director of Corporations and Deputy Registrar of Co-operatives. Prior to taking on her current role, she was Senior Crown Counsel with Legislative Services with the Ministry of Justice and had responsibility for the credit union legislation for the province. Catherine has over 25 years of experience in the Saskatchewan public sector, including Information Services

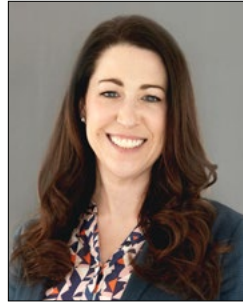
Corporation and the Ministry of Justice. Catherine has held progressive leadership roles in registry administration and law. She was appointed King's Counsel and holds a Bachelor of Arts, Economics and a Bachelor of Laws from the University of Saskatchewan. Catherine brings over 20 years of board experience with both member and chair roles on various boards and provincial and national committees. She joined the Corporation's board as the Ministry of Justice representative in September 2022.



MAX HENDRICKS
 MINISTRY OF FINANCE APPOINTEE

Max Hendricks was appointed Deputy Minister of Finance on June 10, 2022. Max was previously Deputy Minister of Health, serving in the role since February 2014. In July 2013, Max was appointed as the Acting Deputy Minister of Saskatchewan Health. Prior to that he was the Associate Deputy Minister of Strategy and Performance Management from April 2011 to June 2013 and was responsible for Strategy and Innovation, Finance, Capital, Medical Services, Health Registration, labour relations, as well as chair of eHealth Saskatchewan, Physician Recruitment Agency of Saskatchewan, and Saskatchewan Association

of Health Organizations. Max began his career with Saskatchewan Health in 1991 and has served in a number of progressively senior positions in the Departments of Health and Finance. Prior to being appointed Associate Deputy Minister he served as an Assistant Deputy Minister, Executive Director of Medical Services and Executive Director of Finance and Administration. Max joined the Corporation's board in September 2022.



SUZANNE ANTON, BCOMM, LLB
SELECTION COMMITTEE APPOINTEE

Suzanne Anton is a leadership coach and governance consultant out of Saskatoon. Throughout her career, Suzanne held progressively senior roles in areas such as marketing, law, financial services, and corporate governance. In her time as a corporate governance professional, Suzanne provided strategic governance advice to executive leadership teams and boards of directors, specifically working with federally regulated financial institutions in complex co-operative environments. Suzanne graduated from the University of Saskatchewan with a Bachelor of Commerce in 2003 and obtained her Bachelor of Laws from the University of Saskatchewan in 2009. She was called to the Saskatchewan Bar in 2010. Suzanne is a trained leadership coach, a member of the International Coaching Federation, and currently working towards her Associate Certified Coach credential (ACC). Suzanne has served on several not-for-profit boards during her career and is currently on the Board of Directors of the Governance Professionals of Canada (GPC). Suzanne's term ends on January 15, 2026.



KEVIN LUKEY
SELECTION COMMITTEE APPOINTEE

Kevin Lukey retired from Cornerstone Credit Union in December 2018 after working in the cooperative financial industry for over 42 continuous years. He held progressive leadership roles, retiring as the Chief Executive Officer from Cornerstone Credit Union. Throughout his career, Kevin held positions with Cornerstone Credit Union, Yorkton Credit Union, Kamsack Credit Union, Credit Union Central of Saskatchewan, and other Saskatchewan Credit Unions. Kevin is committed to lifelong learning and has taken a number of training courses. Kevin brings board experience with SaskCentral, Concentra, CEAMS and the Prairie Venture Fund & Apex Investment Fund boards. He is community minded and has served in several volunteer leadership positions. His current term will end on January 15, 2025.



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 end on January 15, 2027.



BLAIR SWYSTUN, ICD.D, CFA, MBA, B.Sc.
SELECTION COMMITTEE APPOINTEE

Blair Swystun retired from Crown Investments Corporation in November 2020 after a 38-year career with the provincial government and Crown corporation sector. Blair held progressive leadership roles, retiring as the President and Chief Executive Officer from Crown Investments Corporation. Blair has ICD.D, CFA, MBA, and B.Sc. designations. Blair brings board experience with CIC Asset Management Inc., First Nation and Metis Fund, Saskatchewan Opportunities Corporation, and other various boards. He is community minded and has voluntarily served with various community organizations. His current term will end on January 15, 2025.



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 end on January 15, 2027.

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 audit 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 2023:

- Kevin Lukey (Chair)
- Scott McMann
- Blair Swystun
- Kerry Tarasoff (ex officio)

BOARD AND COMMITTEE MEETING ATTENDANCE

The Corporation's board held five meetings in 2023, including a strategic planning session, while the audit committee met four times. The charts below outline director attendance at meetings.

Board

Name	Meetings Attended
Anton	5
Benning	4
Hendricks	0
Lukey	5
McMann	5
Swystun	5
Tarasoff	4

Audit Committee

Name	Meetings Attended
Lukey	4
McMann	4
Swystun	4
Tarasoff	3

BOARD AND COMMITTEE REMUNERATION

Director remuneration is intended to recognize effort and 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 2023 the Corporation paid director compensation in the amount of \$92,651, which includes honorariums, per diems, and other benefits as outlined below.

Name	Honorarium	Per Diem	Benefits
Anton	7,188	7,100	775
Lukey	7,500	10,200	733
McMann	7,500	6,925	717
Tarasoff	16,000	12,050	1,426
Swystun	7,500	6,400	637
Totals	\$45,688	\$42,675	\$4,288



EXECUTIVE MANAGEMENT

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



BRENT SCHELLENBERG
CHIEF EXECUTIVE OFFICER

Brent has over 40 years of 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.



CORY STEPHEN, CFA
VICE-PRESIDENT REGULATORY OVERSIGHT

Cory has 20 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 Risk-Based Supervision and Regulatory Policy & Prevention departments.



DEANNA BERGBUSCH, MBA, BCOMM
VICE-PRESIDENT CORPORATE OPERATIONS

Deanna has 16 years of executive team experience from the Ministry of Finance, the Saskatchewan Crown sector, and her current role. Deanna has worked in planning, project management, governance, risk management, customer relations, human resources, marketing, communications, finance, treasury, and information technology. Deanna joined the Corporation in 2019 and leads the Corporate Operations division.

CODE OF CONDUCT

All directors, executives, employees and contractors must adhere to a Code of Conduct (the Code). 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. 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 Saskatchewan 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 modeled 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 defense:

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 Saskatchewan Credit Unions.

The Corporation develops directives and guidance for Saskatchewan 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 Saskatchewan Credit Unions and the protection of deposits, and
- prescribe limits and restrictions for Saskatchewan 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 Saskatchewan Credit Union,
- all risks to which the Saskatchewan Credit Union is exposed,
- the amount and nature of the Saskatchewan Credit Union's liquidity and capital, and
- the regulatory compliance obligations of the Saskatchewan 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.

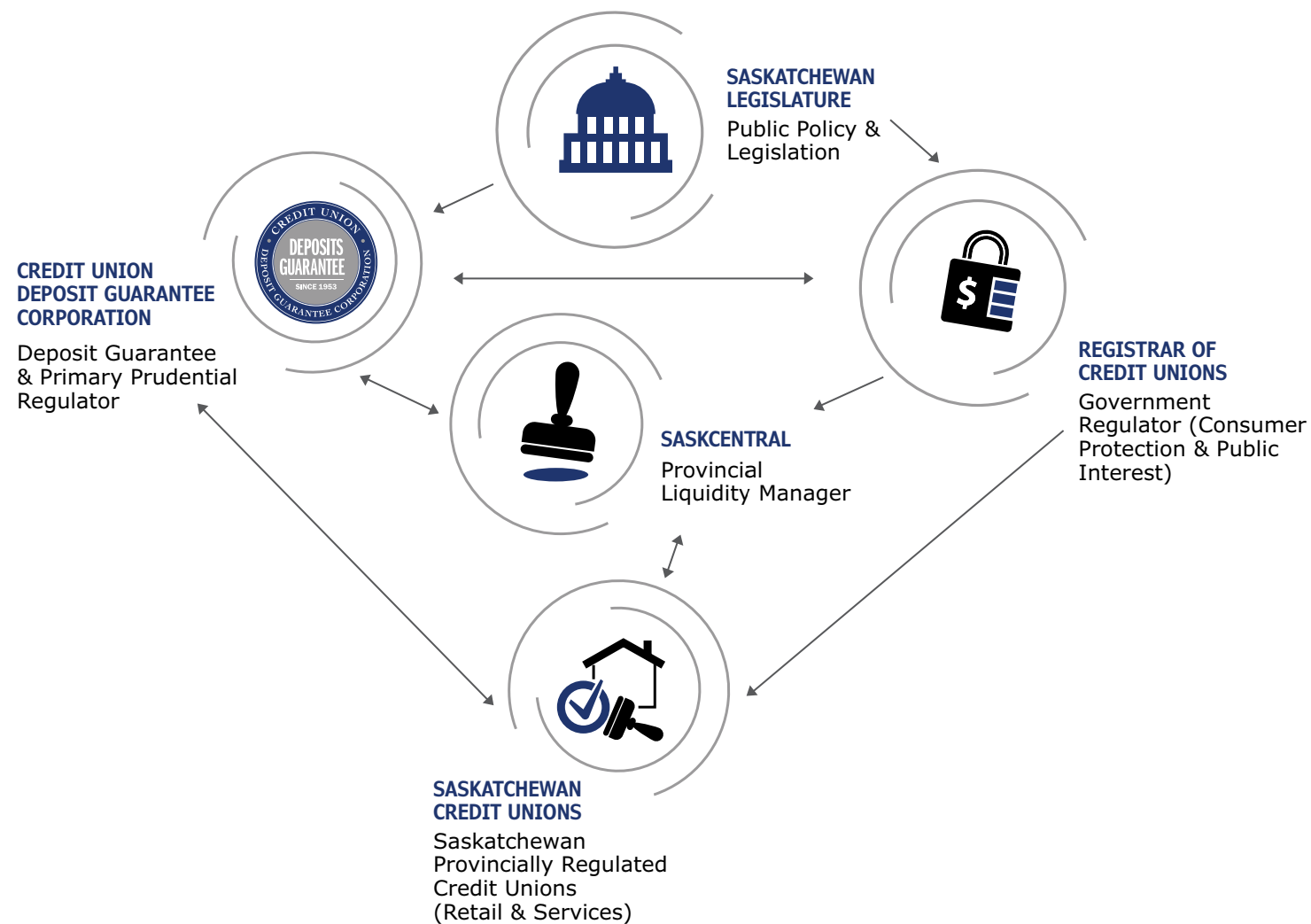


LEGISLATIVE AND GOVERNANCE MODEL

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.



LEGISLATIVE AND GOVERNANCE MODEL

REGULATORY ROLES

PRFIs are regulated through shared responsibility.

Saskatchewan Legislative Assembly establishes public policy and enacts legislation for the 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 Saskatchewan 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. They are 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 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 Provincially Regulated Credit Unions (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 Saskatchewan Credit Union's articles.

Credit Union Central of Saskatchewan (SaskCentral) is the statutory liquidity manager for the 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 PROVINCIALY REGULATED CREDIT UNION SYSTEM (THE SYSTEM)

Credit unions are independent financial service co-operatives that are owned and controlled by the members they serve. In Saskatchewan, credit unions were 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 Saskatchewan 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 co-operative principles and to those they serve. Saskatchewan 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. Saskatchewan Credit Unions continued to reward members in 2023 by returning over \$7 million in patronage allocations and dividends.

As of December 31, 2023, there are 32 Saskatchewan Credit Unions established under provincial legislation and regulated by the Corporation. They range in asset size from just over \$50 million to in excess of \$7.7 billion. Saskatchewan Credit unions must comply with the Corporation's Standards of Sound Business Practice, the bylaws and policies established by each Saskatchewan Credit Union, and relevant provincial and federal legislation.

Pursuant to the CUCS Act, the Corporation has supervisory and regulatory powers and responsibilities regarding SaskCentral. SaskCentral, in its role as the manager of Saskatchewan Credit Union's statutory liquidity, held just over \$2 billion of Saskatchewan Credit Union statutory liquidity deposits which are backed by investments in liquid assets. The Registrar provides oversight of the Corporation.

Canadian credit unions have the option to be federally incorporated and regulated. Members of federal credit unions do not qualify for deposit insurance coverage through the Corporation as these responsibilities are held with the Canadian Deposit Insurance Corporation. On June 23, 2023, Innovation Federal Credit Union obtained its federal charter. As a result, the Corporation no longer has regulatory oversight responsibilities or deposit protection obligations to this 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. Saskatchewan Credit Unions have maintained their financial integrity by carefully managing operating expenses and controlling their balance sheets.

Saskatchewan Credit Unions continue to face challenges as public and regulatory expectations continue to evolve. Saskatchewan Credit Unions strive to find a balance between managing operating expenses and investing in systems and technology that will support operations into the future, responding to demands for expanded service offerings.

SYSTEM PERFORMANCE

RISK PROFILE OF PROVINCIALY 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 meeting materials, 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 System. The Corporation's model includes four levels of composite risk: low, moderate, above average, and high.

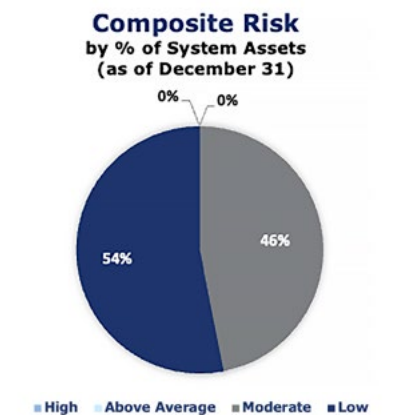
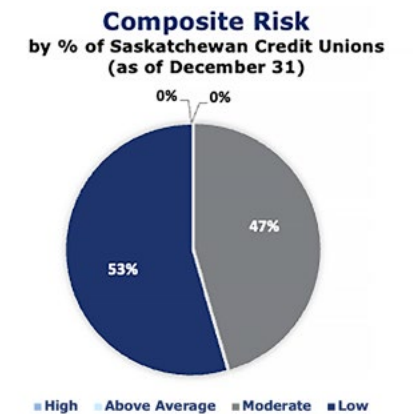
During 2023, the Corporation's supervisory activities were focused on key areas or risk, including the loan portfolio, as a result of Saskatchewan Credit Union members facing higher debt servicing costs. Credit risk overall continues to be managed well within the System and no material shifts in risk have been identified to date. While credit risk has not materially increased, observations provided to PRFIs surrounded an expectation of continued diligence for credit risk as Saskatchewan Credit Union loan portfolios are comprised of considerable fixed term loans that have yet to renew under the current interest rate environment. Further, there was increased focus on operational and strategic risks relating to information technology, cyber security, and third-party risk management and this is expected to continue throughout 2024.

During the year, the Corporation issued a supervisory letter to each PRFI confirming its risk profile and stage rating. 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 consolidated composite risk rating reflects the System's resilience to normal adverse business and economic conditions. Saskatchewan Credit Unions continue to demonstrate strength and stability, as supported by stable levels of capital and liquidity.

The Corporation encourages continued evolution of governance and risk management including:

- enhancing diligence towards assessing member debt servicing abilities and security valuations in all areas of the loan portfolio;
- evolving governance practices related to the oversight of all risks, including ensuring that key principles of regulatory guidelines are being met;
- ensuring prudent decision making in relation to asset allocation and those that align with both regulatory and board established policy limits;
- continuing to evolve oversight functions (e.g., audit, compliance, risk management and financial) as a critical function within the PRFI to identify, monitor and mitigate key risks; and,
- enhancing preparedness for extreme but plausible events that could impact critical functions within a PRFI.



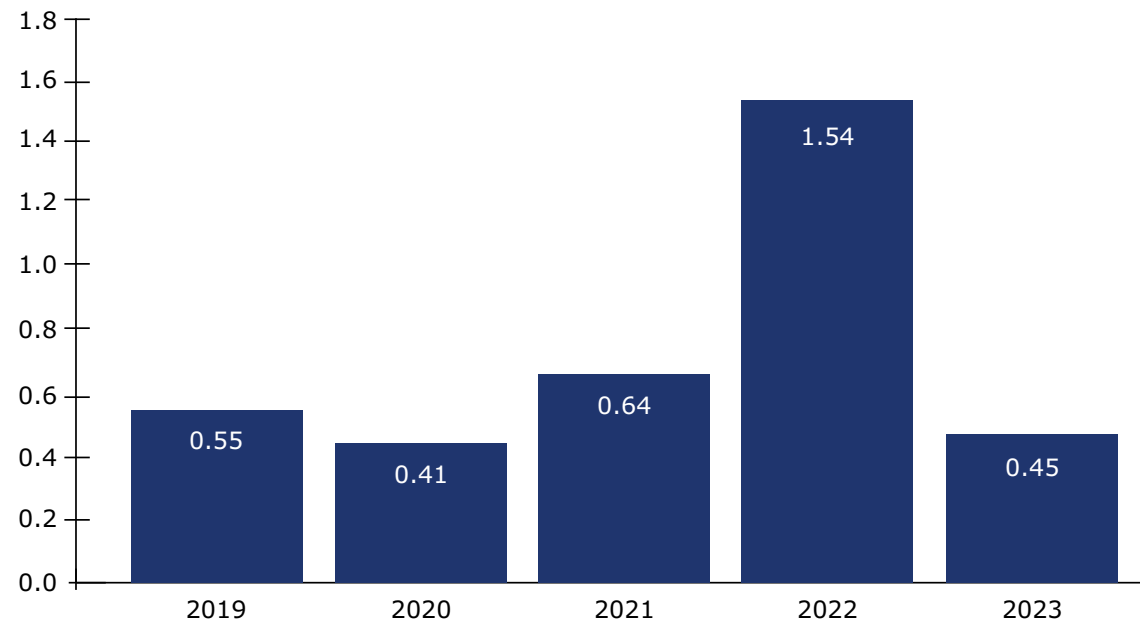
FINANCIAL PERFORMANCE¹

Despite the fast-changing economic environment that was present during 2023, Saskatchewan Credit Unions continued to be resilient, and this was reflected in their financial performance. After receiving extraordinary levels of dividend income in 2022 as a result of the sale of Concentra Financial, both overall and core earnings were lower in 2023. Capital levels also saw a modest decline, due in part to stronger than expected loan growth. Despite these trends, Saskatchewan Credit Unions continue to remain profitable and capital levels also remain well above the regulatory minimums. Liquidity levels have remained stable for nearly three years since the high levels present during the height of the pandemic in 2020. Overall, these results point to the underlying strength of the System and are indicators of stability and strong operational management.

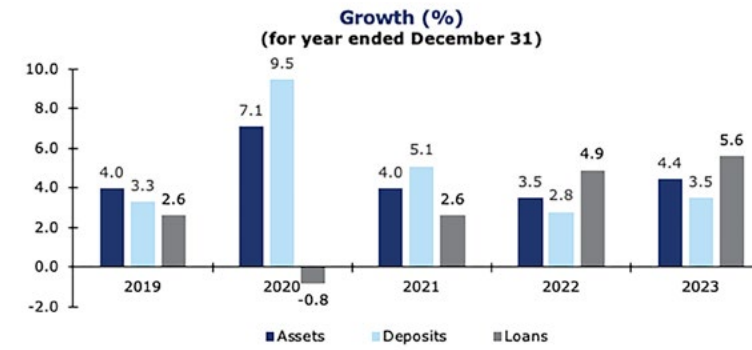
Profitability

Net income was \$117 million in 2023 (2022: \$382 million), for a return on average assets of 0.45% (2022: 1.54%). Overall net income in 2022 was aided by a large one-time dividend received from SaskCentral. When removing this dividend from earnings, Saskatchewan Credit Unions had earnings of \$122 million in 2022. Inflation and rising deposit interest costs were the contributing factors to the reduction of net income. Despite these results, Saskatchewan Credit Unions continue to remain profitable.

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



¹The financial performance measures only include Saskatchewan Credit Unions. Historic data in the charts and graphs exclude Innovation Federal Credit Union, which became a federally regulated institution in 2023.



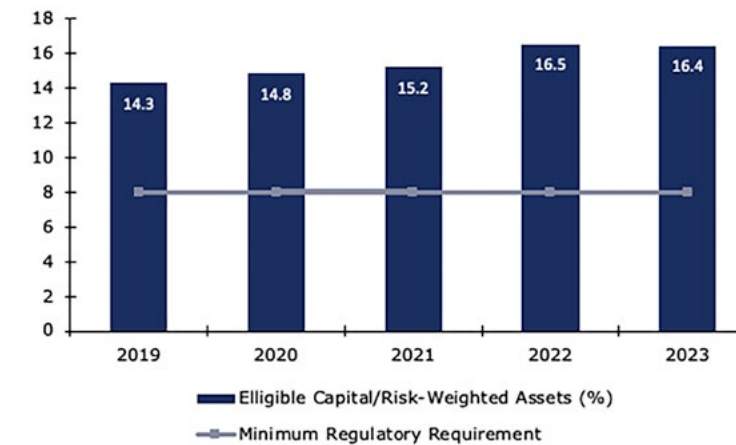
Growth

Assets increased by 4.4% in 2023 (2022: 3.5%) to over \$26.4 billion. The increase in assets was primarily due to loans which grew by 5.6% (2022: 4.9%) to \$19.9 billion. Loans were mainly funded by deposits, which grew 3.5% (2022: 2.8%) to \$22.7 billion.

Capital

Total eligible capital, as a percentage of risk-weighted assets, was 16.4% in 2023 (2022: 16.5%). The modest decline in capital was the result of higher-than-expected loan growth through the year. These results continue to meet regulatory expectations and position Saskatchewan Credit Unions well for continued compliance with the minimum regulatory standard of 8%, and the additional regulatory capital conservation buffer of 2.5% (10.5% total). The leverage ratio remained unchanged at 9.8% during the same period compared to the regulatory standard of 5%.

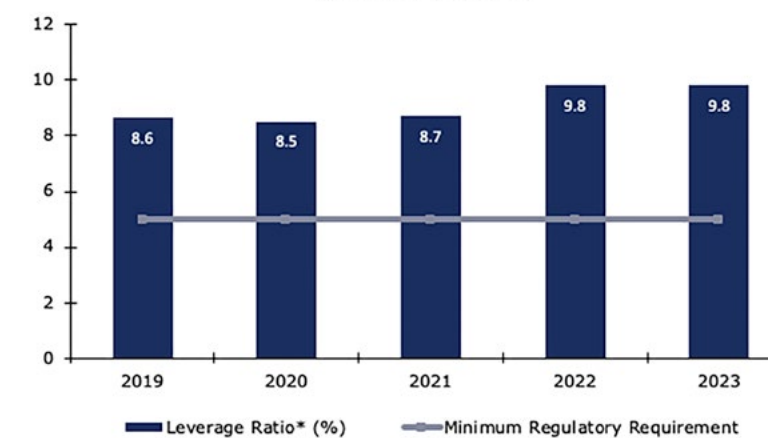
Capital Adequacy - Risk-Weighted Capital
(as of December 31)



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, Saskatchewan Credit Unions exceeded the minimum LCR requirement of 100%, with a result of 207% (2022: 207%). In addition to the LCR, the Corporation and its PRFIs conduct multiple stress tests that are more severe to ensure that the System has adequate capacity to manage through extreme but plausible events.

Capital Adequacy - Leverage Ratio
(as of December 31)



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

Other Financial Indicators

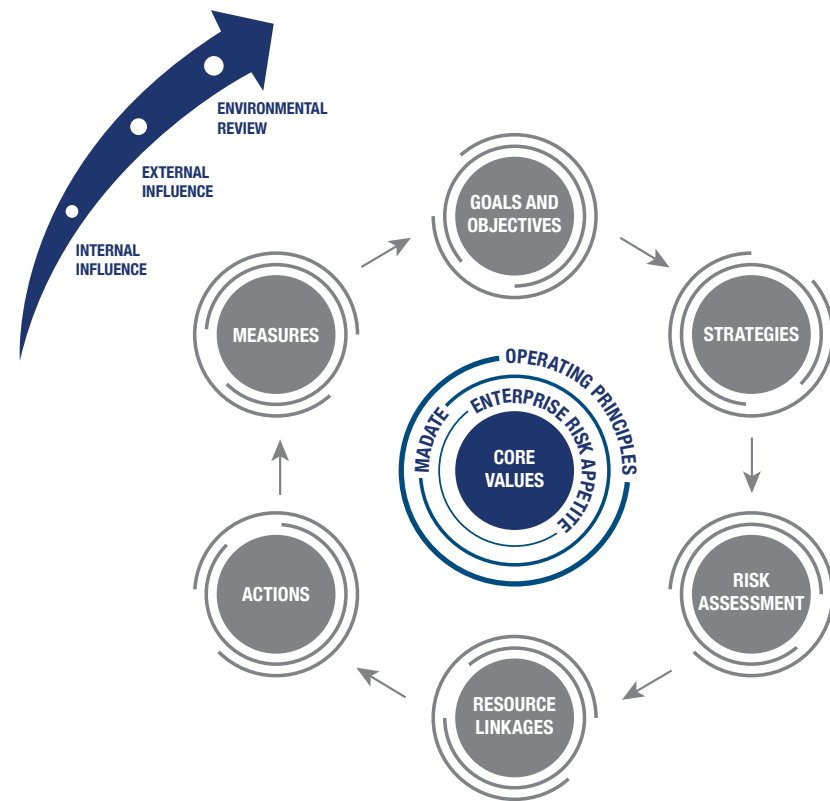
Loan delinquencies greater than 90 days increased in 2023 to 0.73% (2022: 0.60%). This increase in delinquency can be primarily attributed to mounting pressures on members resulting from higher interest rates and inflation. Delinquency levels continue to remain lower than historic results, due in part to enhanced credit management practices employed by Saskatchewan Credit Unions.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC FOCUS AREAS

The Corporation protects deposits while promoting the strength and stability of the System. In 2023, the Corporation’s board of directors and executive management held their 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 a Board Governance Education Session and a Staging Report Education Session.

Strategic Planning Framework



Overall, the Board agreed that the Corporation’s current Risk Appetite Framework (RAF) is sound and generally contains the appropriate risks for effective enterprise risk management. Key themes included using governance training concepts to encourage discussion and support continued effective board governance; reviewing measures and thresholds for individual risks; and ensuring cybersecurity is reflected in the Corporation’s risk appetite framework.

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.

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 Saskatchewan Credit Unions reflect the broader regulatory environment. As the primary regulator for Saskatchewan Credit Unions, the Corporation continues to hold Saskatchewan 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 as required.

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	2023 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%	95%
Manage risk to the Deposit Guarantee Fund	Regulatory fairness, as measured through Saskatchewan Credit Union survey results, is targeted at 90% with a threshold of 80%	100%
Provide fair and consistent regulation		

Goal: Corporate financial strength

Objectives	Targets and Thresholds	2023 Performance
Meet deposit protection financial obligations	Deposit Guarantee Fund range is 1.6% to 1.8% of consolidated System deposits with a threshold of 1.7%.	1.76%
Demonstrate fiscal responsibility	Overall corporate operational budgets do not exceed a 5% negative variance	0.6% positive variance

Key Initiatives

Crisis Management Framework

The Corporation remained focused on enhancing our crisis management framework to strengthen the deposit protection regime. The Corporation continued work to facilitate access to Bank of Canada (the Bank) liquidity facilities by PRFIs. The Corporation organized and ran the annual crisis simulation exercise and engaged in our annual review and refresh of the Crisis Management Framework (the Framework); specifically, those portions of the Framework that are approved by the Crisis Management Group (jointly the Corporation and the Registrar). Efforts were dedicated to enhancement of the System’s recovery and resolution framework. We continued to focus supervisory efforts on ensuring adequate liquidity is available in the System to cover stressed liquidity events.

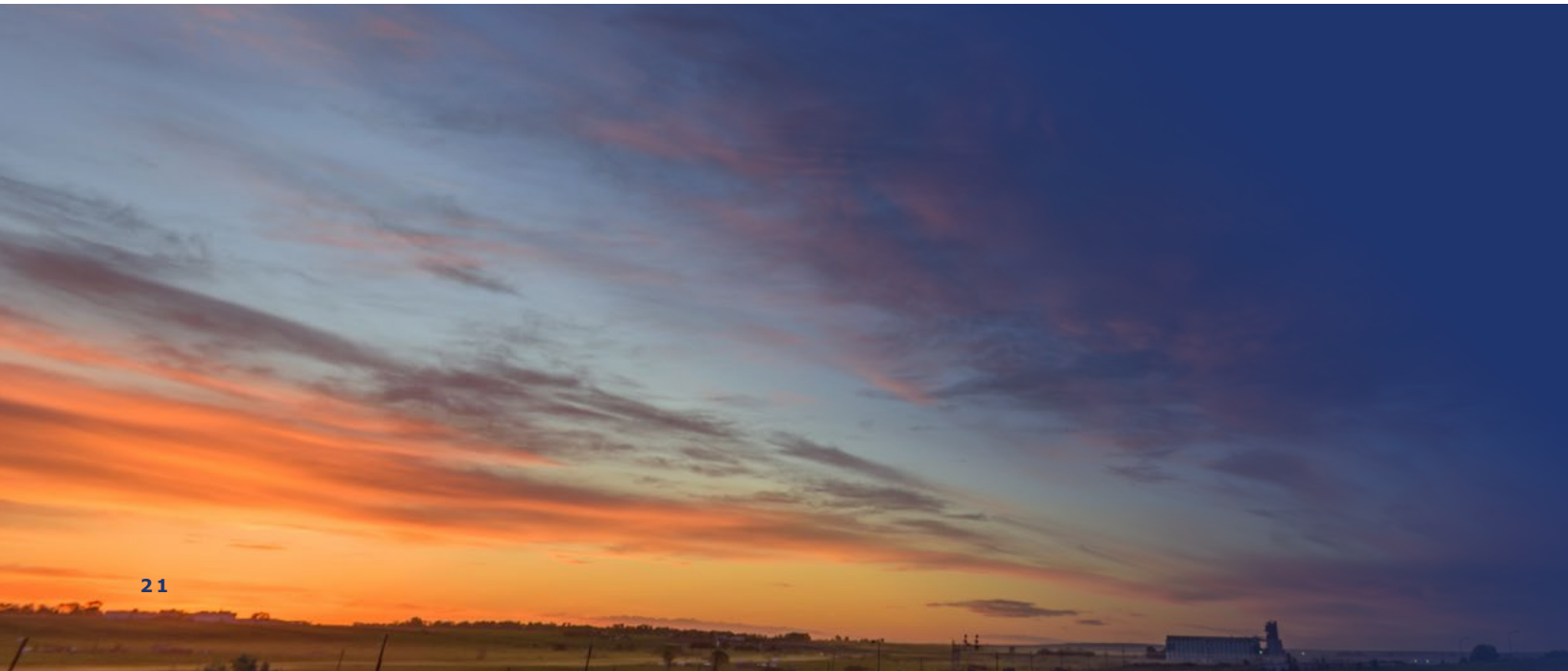
Government and Stakeholder Engagement

The Corporation continued to engage with government officials related to possible solutions for the Canadian credit union sector to gain access to the Bank’s liquidity facilities, in support of crisis management efforts. The Corporation also focused on increased engagement with our P-SIFIs to determine and mutually share potential impacts of strategic decisions. This engagement began with lead supervisors’ interactions.

Regulatory Policy Enhancements

The Corporation is committed to having a robust policy framework that is reflective of the evolving operating environment for Saskatchewan PRFIs and national and international regulatory policy developments.

Regulatory requirements have been updated as required to ensure alignment with industry principles and best practices, and with the Corporation’s Supervisory Framework. For 2023, this included completion of the project for the Standards of Sound Business Practices, which focused on implementation of amended capital and liquidity management requirements.



Prevention

The Corporation invests in preventive services to enhance the ability of provincially regulated Saskatchewan Credit Unions to operate in a sound and prudent manner. Therefore, investments made by the Corporation in preventive initiatives enhance the ability of PRFIs through an effective first level of deposit protection and are a key risk management strategy. 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.

The Corporation continues to have strong engagement with stakeholders, through the hosting of a System meeting and successful updates and distribution of the Standards. Consultation activities provided insight on the pace of change and challenges Saskatchewan Credit Unions face while operating in the current environment. All engagements that occurred in 2023 have allowed for open and constructive dialogue between the Corporation and board and management representatives from provincially regulated institutions.

The Corporation continues its efforts to have strong working relationships inter-jurisdictionally in support of a strong financial sector nationally.

Performance and Measures

Goal: Credit union strength and stability

Objectives	Targets and Thresholds	2023 Performance
Invest in programs that reduce risk to the Deposit Guarantee Fund	Regulatory fairness, as measured through Saskatchewan Credit Unions survey results, is targeted at 90% with a threshold of 80%	100%
Promote sound governance and strategic management in Saskatchewan Credit Unions	Regulatory responsiveness to PRFIs is targeted at 90% with a threshold of 80%.	100%
Foster positive working relationships	The aggregate composite risk rating of the System is = to or < than 2.0 (Mid-Moderate)	1.58
	Total eligible capital of the System is to exceed regulatory limits, including buffers and must be = to or > 10.5%	16.4%

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

We strive for excellence in all aspects of the Corporation’s business. This includes effective strategic and operational planning processes. Clear objectives and strategies guide our day-to-day activities.

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 the Corporation’s objectives. Our governance practices serve as a model for Saskatchewan Credit Unions. An Enterprise Risk Management framework fosters sound decision-making through the identification and assessment of risks to both PRFIs and the Corporation. Our risk management processes add value to our business strategies, identify preventive programming opportunities and support sound management of the Fund.

We foster a constructive work environment that recognizes the contribution individuals make to organizational goals, and that promotes teamwork and collaboration. This culture encourages leadership at all levels and supports our employees in continuously developing in areas that support them in doing their best.

Our approach to effective deposit protection requires a skilled, professional team that understands the environment and the industry, has the ability to demonstrate leadership with stakeholders and who can manage change in complex situations. We will continue to invest in development of our intellectual capacity, as the skills, abilities and knowledge of our people are what has made us 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	2023 Performance
Demonstrate best practices in corporate governance and strategic management	Board governance self-assessment results are targeted at 85% with a threshold of 80%.	88%
Fulfill responsibilities professionally and with the utmost integrity	Audit committee governance self-assessment results are targeted at 85% with a threshold of 80%.	86%
Foster a constructive work environment	Organizational Effectiveness Inventory surveys results indicate a staff satisfaction rating score of 80% with a threshold of 75%.	90%
	Organizational Culture Inventory will reflect an average of constructive styles > or = to the 50th percentile.	92%

Key Initiatives

Corporate Technology Enhancements

This initiative is to review and acquire, change, or enhance corporate technology in support of the Corporation’s business and regulatory reporting needs.

In 2023, the Corporation examined opportunities to enhance its cyber security posture. These efforts focused on internal processes and investigation of broader industry technology and cyber risks and mitigation techniques that are being explored.

The Standards project included changes to the Corporation’s managed applications in 2023. The project to implement these changes was materially complete in December 2023 for use in first quarter 2024, with a few follow up items completed in first quarter 2024.

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, including crisis management framework initiatives, and overseeing the Fund. It maintains relevant Standards and develops supplemental regulatory guidance and directives for PRFIs.

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

This team is responsible for oversight of strategies and policies to ensure the Fund is maintained at a level that supports the full repayment of deposits in Saskatchewan Credit Unions. Additionally, oversight is provided for risk and compliance monitoring of the Corporation’s investment portfolio, ensuring that performance objectives are maintained. Investment policy and practices are reviewed at least once per year and 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
- reasonable return

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 Saskatchewan 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 the management and boards of PRFIs. 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

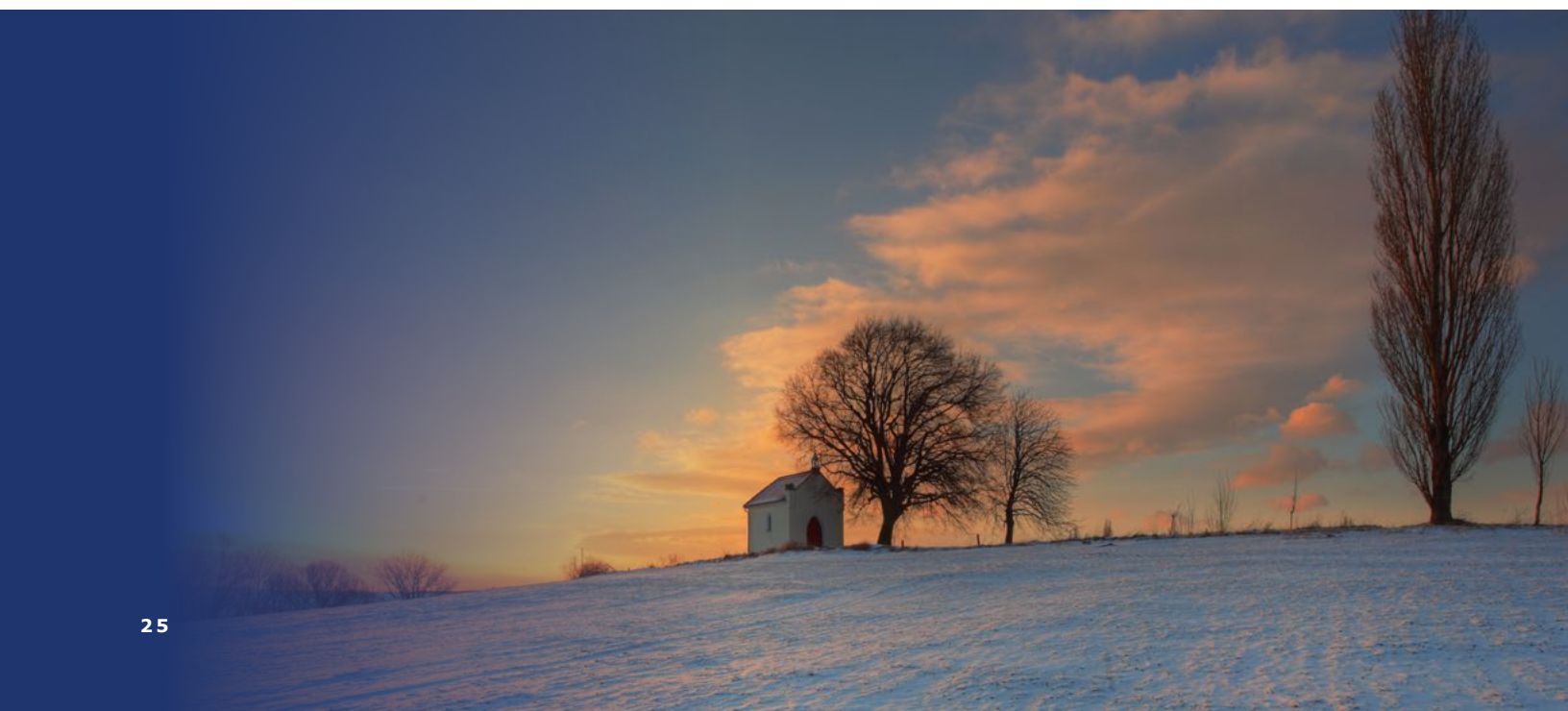
The Business Process Support Services (BPSS) team develops and maintains the corporate systems that improve the Corporation’s effectiveness and efficiency, including information management, reporting and office management systems. BPSS manages technology operational strategies, policies and practices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

Corporate Services

The Corporate Services team is responsible for the delivery and maintenance of the Corporation’s corporate support requirements and governance framework, including human resources, CEO and employee compensation, communications, planning, project management, corporate policy, and procedure framework, outsourcing and service provider contract management, office and records management services, payroll services, and facilities.

Finance and Accounting

The Finance and Accounting team manages accounting and reporting processes, and the relationship with the accounting services supplier. The team also coordinates the ERM processes that outline the Corporation’s principal risks, risk appetite, risk tolerances and the actions taken to monitor and manage risks, manages the processes for monthly reporting and account reconciliations, treasury, 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 Saskatchewan Credit Union activities by creating and enforcing regulations and guidelines that will allow Saskatchewan 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 Saskatchewan Credit Union depositors and other stakeholders.
- We avoid actions that would damage the Corporation’s or the 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
Deposit Guarantee/Solvency Risk	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.	↔
Strategic Risk	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.	↔
Regulatory Risk	Risks associated with the failure to comply with laws, rules, regulations, prescribed practices or ethical standards within which the Corporation is governed.	↔
Operational Risk	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.	↔
Financial Risk	Risks associated with the Corporation’s ability to meet financial obligations and prudently manage its fiscal responsibilities.	↓



2023 Risk Assessment

Following a decade-high growth rate of 5.5% in 2022, fueled by high commodity prices, Saskatchewan's economy grew at a slower pace in 2023 but continued to lead the country in terms of GDP growth. The resource sector remained the catalyst for growth in 2023, with mixed results across sectors. The agricultural sector had moderated results with elevated prices balanced by higher input costs, labour shortages, and capacity issues in distribution channels. Potash demand was heightened because of global issues. The labour market remained tight, which affected all industries and sectors. As well, higher interest rates and borrowing costs worked their way through the economy.

Despite the challenging economic conditions, the slow and steady growth of the Saskatchewan economy has assisted Saskatchewan Credit Unions in achieving strong financial results, with strong levels of capital, liquidity, and profitability. While risk from global economic conditions exist (e.g., elevated inflation and interest rates) the Corporation works with Saskatchewan Credit Unions to ensure emerging risks do not negatively impact the strength and stability of the System. 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.

As the economic environment remained steady in 2023, the Corporation's Deposit Guarantee/Solvency Risk remained unchanged from the decrease in likelihood seen in 2022. In 2021, the Corporation saw a slight increase in impact in Strategic Risk and in 2022 and 2023, this remained elevated due to the pace of change in the regulatory and operating environment for financial institutions. The Corporation's Regulatory and Operational Risks remained unchanged in 2023. The likelihood of the Corporation's Financial Risk decreased in 2023 from 2022 as the effects on these risks of the COVID-19 pandemic waned and market conditions stabilized.

While there have been some updates to the risk analysis from that of the 2022 year-end Risk Report, the overall principal risks, risk tolerance for those risks and the actions taken to manage and monitor those risks in 2023 and into 2024 remain acceptable and effective.

FINANCIAL SUMMARY

Deposit Guarantee Fund

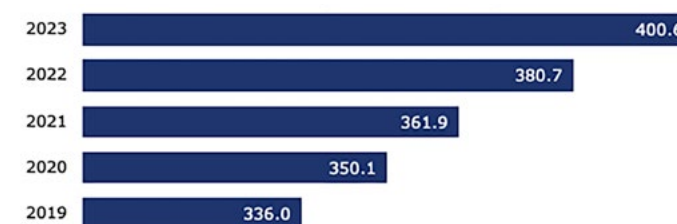
Starting in 1953, the Fund was initially created by Saskatchewan Credit Union contributions and has grown to be one of the strongest funds in North America. The Fund is sustained by investment interest and annual assessments paid by PRFIs which covers the costs of the Corporation's deposit protection and regulatory responsibilities.

The Corporation has established a fund target range, which is based on the size of the Fund as a percentage of total deposits. The strategic intent of this target range is to instill confidence, accommodate anticipated risks to the Fund during normal business cycles, and provide protection during difficult periods. In 2023, the Corporation's board approved a revision to the fund target range, increasing it upwards to 1.6% to 1.8% of total deposits, in order to account for the increased percentage of the aggregate system deposits of our largest Saskatchewan Credit Unions. The previous fund target range was 1.4% to 1.6% of total deposits.

Guarantee Fund Balance

\$ in millions

(as of December 31)



On December 31, 2023, the balance of the Fund was \$400.6 million (2022: \$380.7 million), representing 1.76% of total Saskatchewan Credit Union deposits (2022: 1.53%).

Guarantee Fund Balance

% of total credit union deposits

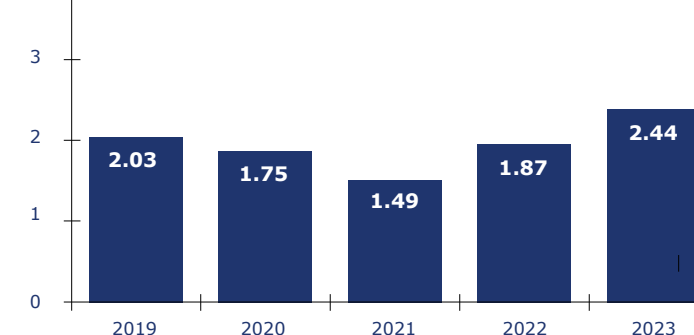
(as of December 31)



The annual assessment charged to Saskatchewan Credit Unions in 2023 was 0.08%, consistent with assessments in the previous five years. Investment revenue generated from the Fund as of December 31, 2023, resulted in an overall yield of 2.44% (2022: 1.87%). This overall yield reflects the increased interest rate environment that provided an increase in our yield.

Yield on Investments (%)

(as of December 31)



Income and Assessments

In thousands (\$)	2019	2020	2021	2022	2023
Saskatchewan Credit Union assessments	16,203	16,752	18,305	19,178	18,654
SaskCentral assessment	95	97	100	100	100
Interest from investments	6,517	6,705	6,012	5,985	8,763
Recovery from unclaimed balances	-	-	9	-	-
Total	22,815	23,554	24,426	25,263	27,517

Expenses

In thousands (\$)	2019	2020	2021	2022	2023
Financial assistance	-	3,107	6,193	-	-
Registrar's fees	300	300	300	300	300
Operational services	6,004	5,940	6,265	6,225	7,195
Total	6,304	9,347	12,758	6,525	7,495

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 28, 2024

Deloitte.

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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, 2023, and the statement of operations, other comprehensive income and fund balance and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (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, 2023, 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.

2023 FINANCIAL STATEMENTS

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 28, 2024
Regina, Saskatchewan

Credit Union Deposit Guarantee Corporation

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands)

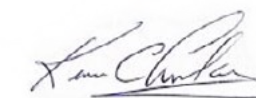
	2023	2022
	\$	\$
Assets		
Cash	762	1,497
Investments, net of impairment [note 4, 8, 11 and 13]	401,058	380,199
Other assets [note 5]	943	436
	402,763	382,132
Liabilities		
Accounts payable and other liabilities [note 6 and 7]	2,167	1,446
Fund balance		
Deposit Guarantee Fund [note 12]	400,596	380,686
	402,763	382,132

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 BALANCEFor the year ended December 31
(in thousands)

	2023	2022
	\$	\$
Revenue		
Credit union assessment	18,654	19,178
Credit Union Central of Saskatchewan assessment	100	100
Interest from investments	8,763	5,985
	27,517	25,263
Expenses		
Registrar's fees	300	300
Operational services [note 9]	7,195	6,225
	7,495	6,525
Income before provision for credit losses and income taxes	20,022	18,738
Recovery on financial assets [note 4 and 11]	(9)	(45)
Income tax expense (recovery) [note 7]	121	(45)
Net income and total comprehensive income	19,910	18,828
Fund balance, beginning of year	380,686	361,858
Net income and total comprehensive income	19,910	18,828
Fund balance, end of year	400,596	380,686

See accompanying notes

Credit Union Deposit Guarantee Corporation

STATEMENT OF CASH FLOWS

For the year ended December 31
(in thousands)

	2023	2022
	\$	\$
Cash flows from operating activities		
Net income and total comprehensive income	19,910	18,828
Adjustments for:		
Amortization of investment premiums	760	2,854
Interest from investments	(9,522)	(8,838)
Recovery on financial assets	(9)	(45)
Income tax expense (recovery)	121	(45)
Depreciation	92	101
Changes in non-cash working capital:		
Other assets	(1)	(38)
Accounts payable and other liabilities	35	88
Interest received	9,429	8,814
Income tax refund	23	98
Cash flows from operating activities	20,838	21,817
Cash flows used in financing activities		
Repayment of lease liabilities	(56)	(95)
Cash flows used in financing activities	(56)	(95)
Cash flows used in investing activities		
Purchase of investments	(74,057)	(101,310)
Proceeds from redemption of investments	52,540	80,097
Cash flows used in investing activities	(21,517)	(21,213)
Net (decrease) increase in cash	(735)	509
Cash, beginning of year	1,497	988
Cash, end of year	762	1,497

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, 2023 were authorized for issue by the board on March 28, 2024.

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 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. MATERIAL ACCOUNTING POLICY INFORMATION**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, 2023.

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.

Credit Union Deposit Guarantee Corporation**NOTES TO THE FINANCIAL STATEMENTS**

(in thousands)

Year ended December 31

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**a) Financial instruments (continued)****ii) Effective interest method (continued)**

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.

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.

Credit Union Deposit Guarantee Corporation**NOTES TO THE FINANCIAL STATEMENTS**

(in thousands)

Year ended December 31

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**a) Financial instruments (continued)****vi) Financial asset impairment (continued)**

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.

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.

Credit Union Deposit Guarantee Corporation

NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

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 \$247 (2022 - \$224) were paid to defined contribution retirement plans during the year.

f) Taxation

i) 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.

Credit Union Deposit Guarantee Corporation

NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

f) Taxation (continued)

ii) 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.

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	2023 \$			2022 \$			
	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	24,207	49,600	5,402	79,209	78,537	63,816	61,932
Yield ⁽¹⁾	2.37%	3.48%	3.59%	3.15%		2.21%	
Provincial governments	67,352	61,862	-	129,214	125,822	130,850	124,386
Yield ⁽¹⁾	1.02%	1.93%	-	1.46%		1.38%	
Municipals	-	15,913	-	15,913	15,500	18,008	17,329
Yield ⁽¹⁾	-	2.30%	-	2.30%		2.23%	
Chartered banks	14,469	98,211	3,946	116,626	114,477	109,756	103,959
Yield ⁽¹⁾	1.12%	3.18%	4.75%	2.97%		2.10%	
Commercial securities	14,721	43,563	-	58,284	56,998	56,059	52,830
Yield ⁽¹⁾	1.22%	2.96%	-	2.52%		2.19%	
	120,749	269,149	9,348	399,246	391,334	378,489	360,436
Accrued interest				1,841		1,748	
Impairment on financial assets				(29)		(38)	
				401,058	380,199		

(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

	2023	2022
	\$	\$
Right-of-use assets	833	323
Income tax receivable	-	23
Prepaid expenses	42	29
Deferred income tax assets	56	37
Accounts receivable	12	24
	943	436

The Corporation has lease contracts for its office and parking spaces, expiring December 31, 2032.

6. 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.

	2023	2022
	\$	\$
Accounts payable	363	355
Unclaimed balances	769	743
Lease liabilities	894	348
Income tax payable	141	-
	2,167	1,446

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.

Credit Union Deposit Guarantee Corporation

NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

7. INCOME TAXES

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

	2023	2022
	\$	\$
Current income tax expense (recovery)		
Relating to the current year	141	(23)
Deferred income tax recovery		
Origination and reversal of temporary differences	(20)	(22)
	121	(45)

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

	2023	2022
	\$	\$
Income tax expense calculated at 9.5% (2022 - 9.0%)	1,903	1,690
Adjustments for the effect of:		
Non-taxable income*	(1,782)	(1,735)
Expenses not deductible for tax purposes*	2	2
Impact of tax rate changes	(2)	(2)
	121	(45)

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

8. LINES OF CREDIT

The Corporation has the following authorized lines of credit available:

	2023	2022
	\$	\$
Operating line of credit	2,000	2,000
Line of credit for financial assistance	10,000	10,000
	12,000	12,000

The Corporation has a credit facility for \$12,000 (2022 - \$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 7.20% (2022-6.45%). All amounts under this credit facility 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

9. OPERATIONAL SERVICES EXPENSES

	2023	2022
	\$	\$
Corporate governance	152	137
Salaries and benefits	4,302	3,892
Technology	679	639
Professional fees	497	443
Travel	142	108
Facilities	122	82
Contract services	408	415
Depreciation	92	101
Preventive services	26	11
Interest paid on lease liabilities	57	10
Other	718	387
	7,195	6,225

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

10. 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 9.

	2023	2022
	\$	\$
The board and board committees		
Per diems, honorariums, and other benefits	93	84
Executive management		
Salaries and other short-term employee benefits	881	770
Post-employment benefits	88	68
	969	838
	1,062	922

Credit Union Deposit Guarantee Corporation

NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

11. 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. The Corporation's risk objectives, policies and methodologies have not changed materially from the previous year.

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:

	2023	2022
	Carrying Amount	Carrying Amount
	\$	\$
Investment portfolio rating*		
AAA	79,208	65,821
AA	100,852	221,944
A	200,258	75,361
BBB	18,928	15,363
	399,246	378,489
Accrued interest	1,841	1,748
Impairment on financial assets	(29)	(38)
Investments, net of impairment	401,058	380,199

*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

11. 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 \$5,707 or 1.48% (2022 - \$6,894 or 1.95%) 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 3.3 (2022 - 3.4).

To further manage liquidity risk, the Corporation has \$12,000 (2022 - \$12,000) in authorized lines of credit available (Note 8).

Credit Union Deposit Guarantee Corporation

NOTES TO THE FINANCIAL STATEMENTS

(in thousands)

Year ended December 31

12. 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 1.6% to 1.8% of total deposits. At December 31, the Fund is 1.76% of total deposits (2022 - 1.53%).

13. FAIR VALUE MEASUREMENT

Fair value of financial assets and liabilities that are not measured at fair value

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.

	2023	2022
	\$	\$
Fair value hierarchy investments		
Level 1	-	-
Level 2	391,334	360,436
Level 3	-	-
	391,334	360,436

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

Saskatchewan provincially regulated credit unions (Saskatchewan Credit Unions) as of December 31, 2023.

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

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 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 System by:

- focusing on the future of the financial services industry
- striving to implement industry best practices where it is reasonable to do so
- 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 Saskatchewan 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
- sponsoring and promoting programs that strengthen the knowledge and skills of Saskatchewan 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 judgement in carrying out the authority that has been granted to us.
- We are responsible to act when others are either unwilling or unable to take action on matters concerning Saskatchewan Credit Union and/or 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 PRFIs.
- 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

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