2019 ANNUAL REPORT

Synergy CREDIT UNION

Happenings

INTERVAL HOME

WALK A MILE IN HER SHOES

AGRIVISION

CINDERELLA PROJECT

MEMBER APPRECIATION
(MARSDEN & NEILBURG)

SASKATCHEWAN SUMMER GAMES 2020

CEO'S *Message*

When I get ready to go to work every morning, it is not always easy to anticipate what might end up on my desk. It's exciting and I can tell you one thing - it's certainly never boring.

Adjusting to changes in our local economies, as well as anticipating the adapting needs of our members in the financial services industry, keeps us on our toes.

There is no question that the downturn in the world energy sector continues to play a significant role in our day-to-day operations. We continue to find solutions for members who are faced with employment and income changes to help make their lives easier. Our membership is admirably resilient, and I commend them for trusting us and letting us assist them in making their financial journey positive.

As a credit union, we have traditionally been viewed as a place for deposits and loans. While this is a large part of who we are, we also continue to invest heavily in meeting our members' evolving digital banking needs. This year, we unveiled Apple Pay® and Samsung Pay® along with a new online investing platform, VirtualWealth®.

We also introduced online banking Strong Personal Access Code (PAC), which increased the security levels for your virtual banking, a necessity, as criminals are becoming more and more sophisticated in their attempts to scam people. In every stage of our organization, we look for ways to increase our security measures. This includes everything from best practices to new product features. We always strive to offer the most convenient products and services with up-to-date protection to ensure our members' information is safe and secure.

Next year, members will enjoy a new online banking system and website upgrade that will better meet their digital needs. We are excited about its unveiling and anticipate our members will be too. Another new addition is Google Pay, which will be introduced in early 2020.

We are incredibly excited about the proposed merger of Macklin Credit Union and Synergy Credit Union. There is a lot of enthusiasm around Synergy with the opportunity to welcome Macklin Credit Union's members and employees to Synergy. We look forward to bringing these two strong credit unions together, building on each other's successes to make both memberships even stronger.

I discussed some of the challenges earlier, but we know that with our members' continued support and the dedication of our staff, our financial future is bright. Synergy assets have increased by 2.51%, deposits have increased 3.19%, while loans have dropped by 0.61%. Synergy's income before allocations and tax was 0.87%. Synergy's capital position is the highest in its history at 10.29%.

For the third year in a row, Synergy is being recognized as a Saskatchewan Top Employer. Interac e-Transfer† transactions continue to grow, while over-the-counter transactions continue to decline. Continued enhancements in technology allow members to make transactions where and when they find it convenient. In addition, our employees can work from any of our locations, regardless of their role.

In 2020, we anticipate modest economic growth, which will mean low but balanced growth for Synergy Credit Union. Investing in our teams and encouraging continued professional development will contribute to our evolving extraordinary service to delight our members. Continuous improvement will enhance our member experience and will ensure that our non-interest expenses remain well controlled. We will take advantage of our strong capital base to support our future growth and development opportunities. Synergy is deeply rooted in this region and we are committed to providing quality expert advice to our membership.

Thank you for your continued patronage. Your credit union is only successful when you are. In 2020, we look forward to achieving even greater success and for many generations to come.

Glenn Stang
Chief Executive Officer

† Trade-mark of Interac Inc. Used under license.
VirtualWealth is a trade name of Credential Qtrade Securities Inc., Member of the Canadian Investor Protection Fund.
Apple® is a registered trademark of Apple Inc.

BOARD CHAIR'S *Message*

We will look back at 2019 as a year of challenges and opportunities.

Synergy Credit Union actively pursues opportunities as we continue to meet the challenges. The past year presented economic, regulatory, technological, and consumer demand challenges, among others. While taking these seriously and making strategic decisions and choices to deal with them, the Synergy leadership team allocates financial and human resources to capitalize on current opportunities and future prospects.

Synergy believes strong communities create a strong financial institution and a strong financial institution greatly benefits our members and their communities. Wherever there is a fundraiser, charity event, or community gathering, you will see Synergy staff organizing, working, supporting, and adding their positive energy. We are very proud of our CEO, management and staff who give so much of their time and talent to support our communities and institutions. From providing financial literacy courses in our schools to sitting on charity or service boards to championing local initiatives, Synergy staff gives back; last year our employees volunteered more than 7,800 hours. Thank you for setting such a visible example of leadership and generosity.

Our board also takes leadership very seriously. This year, three more directors completed the intensive Credit Union Director Achievement training program and became Accredited Canadian Credit Union Directors. Continuous learning and education remain a priority as financial industry governance evolves. The day-to-day business of banking continues to evolve at a rapid rate as evidenced by member needs and staff roles.

Branches are becoming advice centres as members do more of their transactions on their phones or devices which requires a different staffing focus. These changing habits and other pressures also require Synergy to continuously look for ways to maintain a sustainable and viable financial institution for the future. We collaborate with other credit unions, share expertise, form strategic partnerships, and explore formal alliances with other Saskatchewan credit unions to build on our strengths.

You can see by the upgrades to our branches, the commitment to community and the desire to be the best financial institution option for our members, that Synergy Credit Union is working hard for you.

Thank you for your loyalty, your business, and your shared vision of a strong local credit union dedicated to your financial wellness and success. Thank you for choosing Synergy.

Don Wheler
Board of Directors Chair

Who We Are

MISSION STATEMENT

The Synergy experience, building relationships beyond banking

Corporate values and commitment:

- We are committed to providing members with relevant financial products that fit with our chosen markets and demonstrated areas of expertise.
- We are committed to developing a leading sales and service culture that provides members with a best-in-class experience. We encourage our employees to promote financial solutions that are responsive, resourceful and realistic to fulfilling our members' full-service needs and contributing to Synergy's growth plans in the areas of banking, trust, insurance* and wealth management*.
- We are committed to building a constructive corporate culture that offers employees progressive career opportunities, which are engaging, educational and rewarding.
- We are committed to providing meaningful contributions to the communities where we operate.
- We are committed to achieving consistent profitability and maintaining strong levels of capital that reflect an industry-leading, growth-focused credit union.

*Mutual funds, other securities and securities related financial planning services are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Credential Financial Strategies Inc. is a member company under Aviso Wealth Inc., offering financial planning, life insurance and investments to members of credit unions and their communities. Credential Securities is a registered mark owned by Aviso Wealth Inc.

Highlights

New to Synergy

806
NEW MEMBERS

Non-Member Growth

501
NON-MEMBERS

Total Membership

24,655
MEMBERS

201 **NUMBER OF EMPLOYEES**

ASSETS UNDER MANAGEMENT

$1.8 billion

Commercial & Agriculture

2,811 COMMERCIAL **MEMBERS**

AGRICULTURE **MEMBERS** **1,300**

NEW *in 2019*

MORE WAYS TO PAY

In 2019, we introduced Apple Pay and Samsung Pay, giving members more options to securely make their everyday purchases. Simply take out your phone and tap at point-of-sale terminals. Cashless and easy!

STRONG PASSWORD

Members are better protected with enhanced login security for online and mobile banking with Strong Personal Access Code (PAC). This new process is another step in our ongoing commitment to protecting members' information.

BUSINESS & AG FINANCIAL CENTRE

We introduced our Business and Ag Financial Centre (BAFC), formerly the Business Banking Centre, to better reflect the products, service, investment, insurance and advice options our expert team members provide to our business and agriculture members. Our BAFC is able to customize solutions to meet your evolving needs.

MORE INVESTING OPTIONS

We know that each member values a different approach. VirtualWealth is a simple, easy-to-use online investing service that matches investors with a tailored portfolio based on their goals, timeline and tolerance for risk. Each portfolio holds a professionally managed, well-diversified mix of low-cost funds, which is automatically rebalanced to the investor's target asset allocation.

IN 2020

GOOGLE PAY

Another cashless option was introduced in early 2020. Google Pay is the fast, simple way to pay at millions of places – on sites, in apps, and in stores. It brings together everything you need at checkout and protects your payment information with multiple layers of security.

DIGITAL BANKING

We are excited to introduce a new digital banking platform. The new digital experience will include improved functionality and more features to make your online banking journey more convenient and easier to navigate.

We understand improvements to this new platform might take a period of adjustment. We can assure you our staff will be trained and ready to assist you should you have any questions as you begin getting familiar with this exciting change.

SENIORS AND STUDENTS BENEFIT FROM NO-FEE ACCOUNTS

We introduced no-charge account SmartPack options for post-secondary students and seniors on January 1, 2020! This includes free and unlimited transactions!

WEBSITE UPGRADE

The new website is being designed for you, our members. This new website promises easy navigation with the continued welcoming Synergy feel. It will be a hub that you can visit to learn about our products and services and connect with the people that can help you reach your goals.

Over the past several decades, credit unions recognize they are better able to meet members' evolving needs by joining together. There are fewer credit unions overall, but the number of members and assets are flourishing.

KEY CREDIT UNION STATISTICS OVER TIME

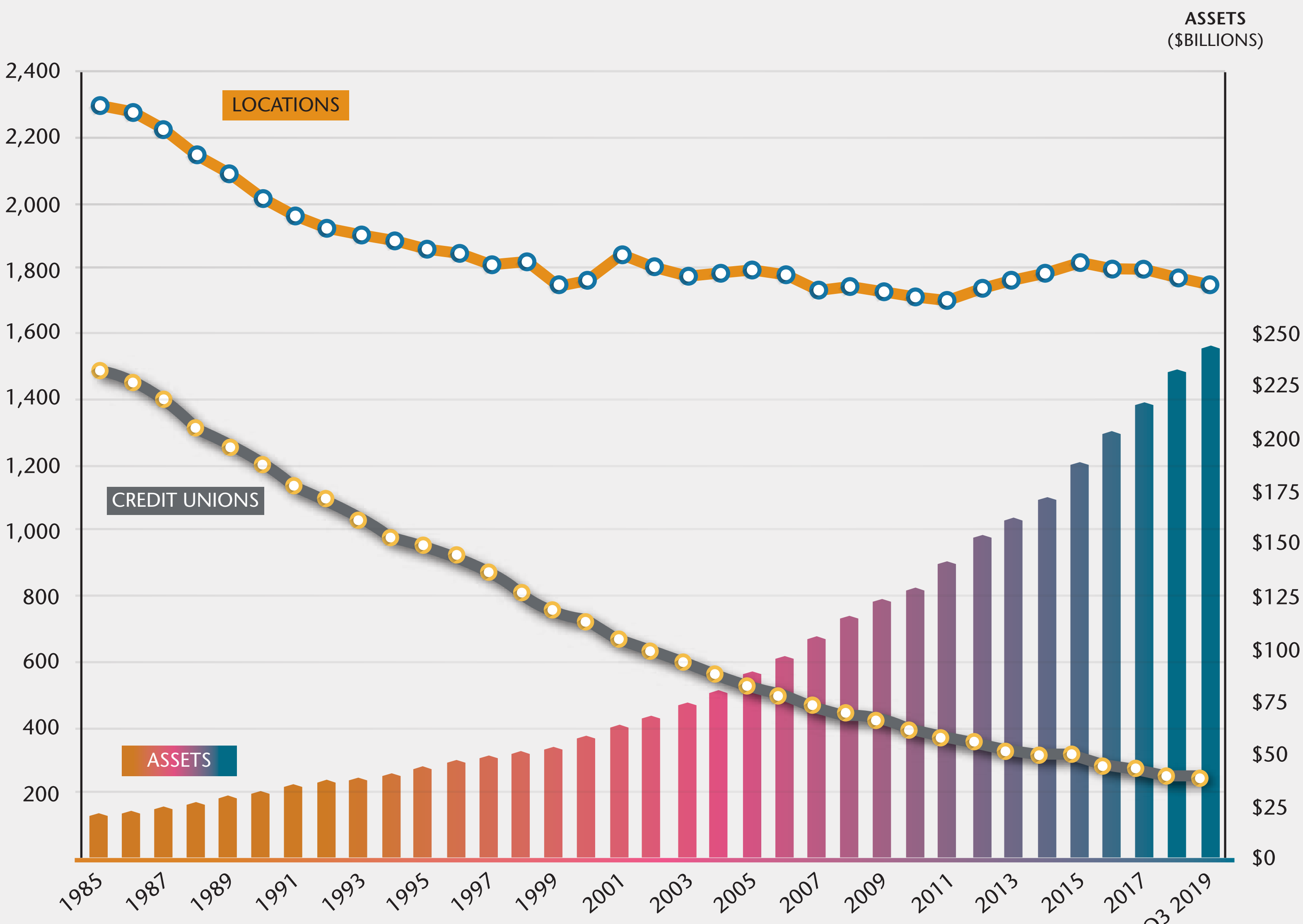
	1999	2009	2019 (Q3)
Number of credit unions	756	419	239
Number of locations	1,766	1,747	1,762
Membership	4,321,575	5,043,071	5,805,391
Assets ($mm)	$52,613	$121,927	$243,298
Average assets/credit union ($millions)	$69.59	$291.00	$1,017.98
Average members/credit union	5,716	12,036	24,290
Top 100 as % of total assets (2019=Q2)	67.43%	82.64%	92.84%
Top 10 as % of total assets (2019=Q2)	28.62%	42.69%	47.78%

Source: Canadian Credit Union Association

20 years of Canadian credit union trends:

- Membership increasing
- Assets growing
- Average size of a credit union is approaching $1 billion
- Number of credit unions declining
- Minor decline in locations
- Top 10 credit unions hold 48% of market
- Top 100 credit unions hold 92% of market

NUMBER OF CANADIAN CREDIT UNIONS AND SECTOR ASSETS (1985-2019)



Includes CCUA affiliated credit unions/caisses populaires only.

Trends

The financial industry in Canada continues to evolve due to new market entrants, need for more mobile technology, and an increasingly complex regulatory environment. The credit union system across Canada is no different.

In an effort to meet our members' needs, here is how we are adjusting:

- Attract employees who are experienced and proficient in working with our evolving industry and government regulations.
- Continuous training for staff to identify and proactively manage security risks.
- Collaboration with like-minded partners to deliver high-demand products/services in an efficient and cost-effective manner.
- Introduction of more mobile options to provide more convenient service to members.
- More robust security features to ensure information is kept safe.

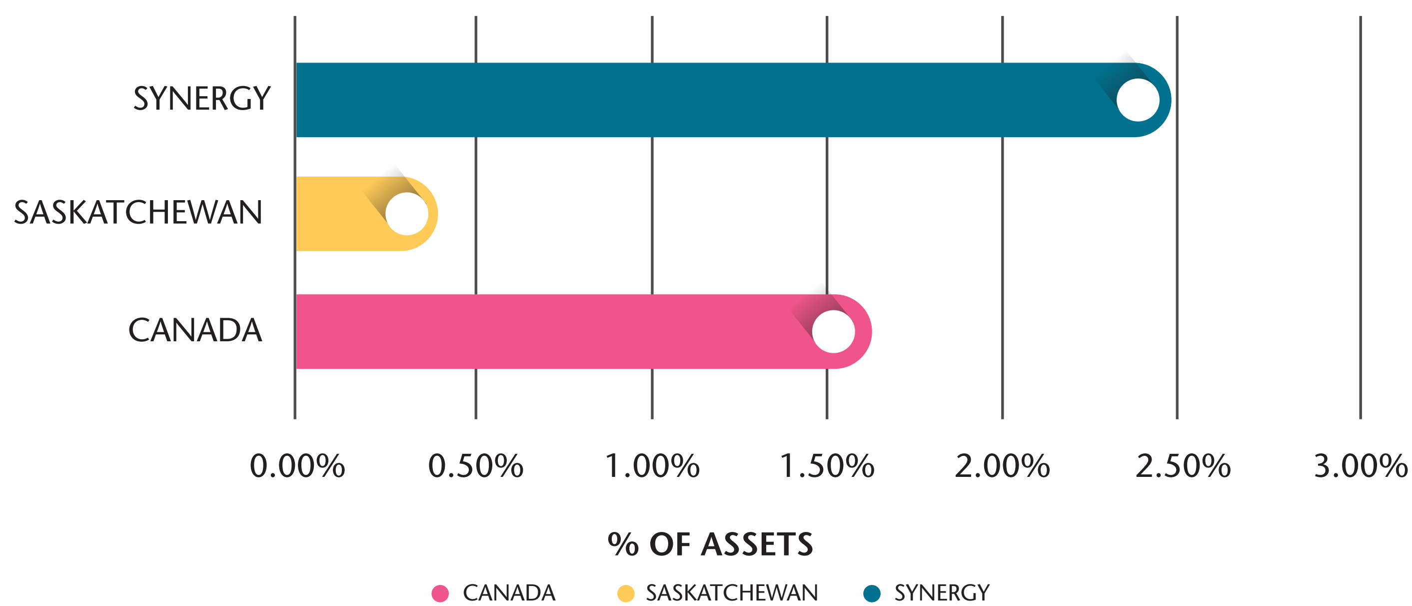
MILLIONS BACK TO MEMBERS

2019

$530,000
PROFITSHARE CASH PAYDOWNS

$2,046,000
PROFITSHARES ALLOCATIONS

Percentage of assets returned to members by credit unions through profit sharing



Synergy Credit Union: a proud community builder

Through the Synergy Shares program in 2019, we donated $258,500 to groups and projects that make our communities better for the people who live there.

2019 Highlights:

- $50,000 donation as the Volunteer Sponsor of the 2020 Saskatchewan Summer Games, which will be held in Lloydminster this upcoming summer.
- $30,000 to Lloydminster Interval Home Society's Bridging the Gap Campaign. The initiative's mission is to increase the emergency shelter — which accommodates vulnerable women and children — with an additional 12 beds.
- $21,000 in scholarships.
- $10,000 to Bea Fisher Centre to renovate two of its group homes in Lloydminster.
- $10,000 to Lloydminster Region Health Foundation Gala.
- $4,800 to Inclusion Lloydminster.
- $2,500 to Neilburg Minor Ball.

Synergy SHARES PROGRAM

ENGAGE. COLLABORATE. GROW.

VOLUNTEERS

In the continued spirit of giving back, Synergy staff volunteered 7,845 hours of their time in 2019, which equates to more than 39 hours per employee.

This is equivalent of four people working five days a week, every week of the year.

LEED *Certified*

The Synergy Centre received its Leadership in Energy and Environmental Design (LEED) Silver Certification in 2019. LEED is a rating system that is recognized as the international mark of excellence for green buildings in 150 countries.

The Synergy Centre, which opened in March 2016, is tailored to promote a holistic approach to be sustainable in five key areas:

- Site development
- Water efficiency
- Material efficiency
- Material selection
- Indoor environmental quality

FINANCIAL *Literacy*

EMERGING LEADERS Synergy

LEARN • EXPLORE • INSPIRE • GROW

Our Synergy Emerging Leaders continue to build on the success of our Financial Literacy Program.

Over the last few years, the group has presented between 27 to 35 sessions annually, averaging 25 people per presentation.

In this time, they have had the opportunity to inform approximately 775 teachers, students, and community members.

The program has about 30 dedicated Synergy volunteers and is trending to reach more than 2,600 people in our community from September 2019 to September 2020.

The group wishes to thank some of its key partners and is looking forward to working together in 2020:

- Lloydminster Public School Division
- Lloydminster Catholic School Division
- North West School Division
- Sunwest School Division
- Slim Thorpe Recovery Centre
- Various seniors centres

Thank You

Synergy would like to express our sincere gratitude to Joseph Koch on his retirement after 30 years on Synergy's Board of Directors.

Joe joined the Synergy Board of Directors in 1990 and served on a number of board committees as well as second Vice-President. As a longtime credit union member, he brought a wealth of knowledge in agriculture, agri-business and board member experience.

Community organizations and co-operatives are very important to Joe. To add to his skillset and competency on Synergy's board, Joe has been active on several community organizations and is currently a RM of Manitou Lake 442 Councilor.

Joe is passionate about farming and has continuously added to his knowledge and skills. This enabled him to develop, grow and run a successful family grain farm operation in the Marsden/Neilburg, Saskatchewan region for nearly 40 years.

The board of directors and Synergy benefited from Joe's dedication to the co-operative principles and his commitment to community values. Joe contributed a thoughtful member-focused perspective to the board throughout his tenure.

Joe resides with his wife, Gail, in Saskatoon and enjoys spending free time with family, including a number of grandchildren, and continuing to hone his skills in machining, woodworking and mechanics.

Your Synergy Family wishes you and Gail all the best in retirement!

ORDER *of Merit*

With more than two decades of playing a pivotal role in the growth of Synergy Credit Union, it is only fitting that this year, Don Wheler is recognized with a Saskatchewan Credit Union Order of Merit Award.

Don joined and has continually served on the Board of Directors since 1998. In 2016, he was elected Board Chair and annually thereafter, having served as Vice-President as well as various Committee Chair positions. Don is a former SaskCentral Delegate, a position he held for three years.

Among his numerous achievements within the credit union system, Don is a CUDA graduate, has obtained a Canadian Credit Union Association (CCUA) Accredited Credit Union Director designation, and graduated from the Rottman's School of Business Certified Credit Union Director program. He is also a registered federal lobbyist stemming from his work with the Canadian Credit Union Hike the Hill, an annual event held in Ottawa wherein government legislators are informed about credit unions, their role in communities and the challenges faced in delivering products and services.

Don's commitment to making his community a better place keeps him busy outside his credit union roles. He has volunteered his time to many community organizations and regional, provincial, and national leadership groups.

Following a 34-year teaching career, Don worked as the coordinator for the Northwest School Division Leadership Academy and chaired the Canadian Student Leadership Association.

Don values spending quality time with his wife, Holly, and their three children and five grandkids, as well traveling and enjoying nature.

Long-Service Awards

Joseph Koch – *30 years*

Lorne Janzen – *25 years*

Tom Schinold – *5 years*

TOP Employer

SASKATCHEWAN'S TOP EMPLOYERS 2020

For the third-straight year, Synergy Credit Union was named one of Saskatchewan's Top Employers by Canada's Top 100 Employers.

The strength of our organization is in the people who work to meet our members' needs. We're proud of their commitment to contributing to the strong workplace culture we have built and their dedication to serving our membership.

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CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Deposits Fully Guaranteed

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, these entities are considered Provincially Regulated Financial Institutions or "PRFIs". The Corporation is mandated through provincial legislation, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016* in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation's regulatory and deposit protection responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at www.cudgc.sk.ca.

CREDIT UNION MARKET CODE

The credit union and its employees have always been committed to delivering high quality service to members and customers. Synergy Credit Union voluntarily adheres to a Credit Union Market Code, jointly developed by Saskatchewan credit unions, SaskCentral, and Credit Union Deposit Guarantee Corporation. Market Code identifies the standards we adhere to as an organization, the way we conduct ourselves and how we treat members. We work to maintain your trust while continuing to embrace our co-operative values. The code sets out our commitments and standards in the following areas:

Professional Standards

We will conduct business consistent with our corporate values. Our employees are trained and qualified to provide members with a best-in-class experience.

Disclosure and Transparency

We provide members with clear information about our products and services to help you make informed financial decisions.

Privacy of Personal Information

We treat all personal information as private and confidential and operate secure and reliable information systems.

Fair Sales Practices

We act fairly and reasonably in all our dealings with you. We will not knowingly take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts, unethical activity or the use of any other unfair sales practice. We recognize the importance of access to basic banking services and we ensure access to a low-fee chequing account.

Complaint Handling

We welcome and listen carefully to your feedback and work fairly to resolve any problems or complaints you may have. It is generally easier to resolve a problem where it originated. This may mean a quick phone call or visiting your local service centre. If your problem is not able to be resolved, you can escalate your complaint or concern by:

- Using our *Speak to the CEO* feature available on the front page of our website at www.synergycu.ca
- Submitting a formal complaint to problem.resolution@synergycu.ca or through our website under About Us ▶ Contact Us ▶ Problem Resolution

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides detailed information, including commentary on the results of operations and financial condition of Synergy Credit Union (Synergy) for the year ending December 31, 2019. The MD&A is an integral part of the annual report and should be read in conjunction with the financial statements.

Like the financial statements, the MD&A gives Synergy the opportunity to demonstrate our accountability to members. The financial statements reflect what happened and the actual financial numbers, where the MD&A explains why these changes occurred, our plans for the future and outlines how we actively manage our risks. The MD&A provides members with a look at Synergy through the eyes of management by providing a balanced discussion on our operational results, financial conditions, and future prospects.

The following discussion and analysis is the responsibility of management and is current as of March 9, 2020.

FORWARD LOOKING STATEMENTS

This MD&A may contain forward looking statements concerning Synergy's future strategies. These statements involve uncertainties in relation to the prevailing economic, legislative and regulatory conditions at the time of writing. Therefore, actual results may differ from the future looking statements contained in this discussion.

BUSINESS PROFILE

Synergy is a member-owned financial institution serving more than 29,000 voting and non-voting members from 10 communities within northwestern Saskatchewan. Synergy is the fourth largest credit union in the province of Saskatchewan and is one of the leading credit unions in Canada with $1.81 billion in on- and off-balance sheet assets. Synergy provides core banking services through our traditional branch network, the Canada-wide 'ding free' AccuLink ATM network, MemberDirect® online banking, Live Chat, mobile web and app banking, as well as through calling our Member Contact Centre.

CORPORATE VALUES AND COMMITMENTS

- We are committed to providing members with relevant financial products that fit with our chosen markets and demonstrated areas of expertise.
- We are committed to developing a leading sales and service culture that provides members with a best-in-class experience. We encourage our employees to promote financial solutions that are responsive, resourceful and realistic to fulfilling our members full-service needs and contributing to Synergy's growth plans in the areas of banking, trust, insurance* and wealth management*.
- We are committed to building a constructive corporate culture that offers employees progressive career opportunities which are engaging, educational and rewarding.
- We are committed to providing meaningful contributions to the communities where we operate.
- We are committed to achieving consistent profitability and maintaining strong levels of capital that reflect an industry leading, growth-focused, credit union.

OUR CORE BUSINESS ACTIVITIES AND HOW THEY IMPACT OUR EARNINGS, MEMBERS AND COMMUNITIES

The following table helps to present our core activities as a financial institution, aligned with our statement of income in our 2019 financial statements. In addition to the impact these activities have on our earnings, it shows how our activities create long-term value for our members and the communities we serve.

$ thousands

Core Activity	Impact on Earnings	Impact on Members and Community	HOW WE PERFORMED 2019	2018	Change
Receiving deposits and raising funds	Interest expense	We offer deposit products to help members save and meet their financial goals. We use those deposits to fund loans to members.	(19,454)	(16,044)	21.3%
Making loans and investments	Interest income	We lend and invest responsibly and increasingly in a way that improves lives and builds healthy communities. We offer financial advice and education that's in our members' best interests.	55,256	54,574	1.3%
Taking calculated risks	Provision for credit losses and losses on foreclosed property	We take prudent risks to support our business model.	(73)	(4,180)	(98.3%)
Selling investments and other services	Non-interest revenue other	We offer transactional services and financial solutions in banking, trust, insurance* and wealth management*.	9,008	9,062	(0.6%)
Managing interest rate risk	Non-interest revenue	We purchase and hold derivative financial instruments to manage interest rate risk exposures. These instruments are measured at fair value, which produce unrealized gains or losses for the year. Unrealized gains or losses for these instruments and investments are recorded in non-interest revenue.	(893)	(1,171)	(23.7%)
We earn revenue	**= Total operating income**		**43,844**	**42,241**	**(3.8%)**
Investing in employees	Personnel expenses	We invest in key areas, such as talent management and leadership development to create a diverse, confident, engaged and values-aligned workforce. We're committed to paying all employees market competitive compensation.	(17,247)	(17,102)	0.9%
Managing and purchasing services, systems, buildings and equipment	Occupancy, member security, organizational and general business expenses	We seek ways to minimize our own and our suppliers' use of credit union resources. We seek business relationships that demonstrate alignment to our cooperative and community values. We have a preference to support local suppliers and vendors whenever possible.	(13,084)	(12,714)	2.9%
We add up our expenses	**= Total non-interest expense**		**(30,331)**	**(29,816)**	**1.7%**
We deduct expenses from revenue	**= Income before allocations and income tax**		**13,513**	**12,425**	**8.8%**
Giving back to members	ProfitShare allocations	We share our profits. Each year we allocate up to 20% of our income before allocations and tax for distribution back to our members in the form of ProfitShares.	(2,703)	(2,449)	10.4%
Rewarding our employees	Employee profit sharing	As part of our commitment to paying all employees market competitive compensation, we allocate 10% of our income before allocations and tax to fund our annual employee profit sharing program.	(1,352)	(1,242)	8.9%
Paying taxes	Income tax expense	We pay our fair share of taxes.	(2,218)	(1,901)	16.7%
We save what's remaining to invest in our future business opportunities	**Net "retained" income**	**Our comprehensive income gets added to our retained earnings, which supports the responsible and sustainable growth of our business for the long-term benefit of our members and local communities.**	**7,240**	**6,833**	**6.0%**

BUSINESS ENVIRONMENT AND STRATEGY

The communities that we serve continue to experience economic challenges. Agriculture and energy sectors, the two major economic pillars of our trade area, are facing a multitude of headwinds. Many of these headwinds are likely to become the new normal for the foreseeable future. As a strongly capitalized credit union in Saskatchewan, we continue to leverage and rely upon our capital strength to proactively assist our members and communities to adjust to the economic environment and create new growth.

Digital and mobile technologies are rapidly changing how our members live their daily lives. Digital solutions have brought more convenience and more possibilities to almost every aspect of our lives, from how we shop, how we order food, to how we socialize with others. Synergy believes that the right digital banking solutions will also greatly increase convenience and possibilities for how our members' financial needs are met and how their financial futures are secured. We are committed to investing heavily in technology and innovations to bring the best digital banking experience to our members.

Synergy has been known, and aspires to continue to be known, for how we treat each other and how we treat our members. We are best at serving people and building relationships. Contrary to the common belief that digitization will eliminate the human touch with members, our approach of emphasizing the people aspect is key to guiding our members through the transition from "human plus digital" to "digital plus human."

Although many headwinds are still present in our Region, we strive to inspire positivity in the communities we serve. We do this in many ways including volunteering, financial literacy education and partnering with our members to improve their financial health. We relentlessly seek opportunities that grow existing wallet share as well as increase our market penetration. We believe the most effective way to do this is to focus on improving financial wellness.

Together, we will is deep within our organizational DNA and we remain committed to living out the Synergy experience where:

- People come first
- We actively support our communities
- We strengthen the local economy

KEY STRATEGIC ASSUMPTIONS

Assumptions about the business environment, the performance of the Canadian economy, and how these business drivers will affect Synergy's financial performance are material factors for the Board of Directors when setting corporate strategic priorities and performance targets. Key assumptions include:

Global and National Business Environment

- Heightened possibility of a national economic downturn, evidenced by capital market swings in 2019, and the fact that the U.S. has recently cut interest rates three times within a short time span of three months. Economists have shared pessimistic outlooks, with some predicting an 80% chance of recession in Canada in the next 12 months[i] and 27% chance of a recession in the U.S.[ii]
- Continued weakness in the energy sector. WTI crude oil has traded between approximately USD50 to USD65 in 2019. The U.S. Energy Information Administration forecasts an average price of USD54 for 2020 [iii].

Political Landscape

- In the 2019 federal election, the Liberal Party was re-elected and formed a minority government. With a minority government, drastic policy changes are unlikely, and policies and legislatures that the Liberal government put in place during the last term are likely to continue.
- Meanwhile, the government may continue to push their agenda on themes that may have implications on Synergy's business, including environmental protection and the "open banking" initiative.
- There is some level of uncertainty on the political horizon, should the opposition parties force another election.
- The U.S. political landscape is also facing higher uncertainty with 2020 being a presidential election year.

Financial Services Sector

- In 2019, two high-profile data breaches occurred in the financial services industry (Desjardins and Capital One), bringing to the surface the importance of data and privacy security. Regulators and industry players alike have elevated their emphasis on privacy governance, which may lead to heavier capital and human investments in data protection frameworks. While this is a necessary and positive trend, the financial burden may further exacerbate the margin compression witnessed by some financial institutions.

There has recently been an increasing voice of the "open banking movement," following similar movements in the United Kingdom and other countries. In Canada it is known as Consumer Directed Finance. The common concern within financial institutions is concern of an unlevel playing field, and unregulated technology companies - fin techs – will have an unfair competitive advantage once they have access to consumer banking data. The industry is also concerned that consumer directed finance may not result in significant consumer benefits, as has been observed in the U.K.

Provincial

- A great geographical division became conspicuous in this election, when not a single riding in Alberta and Saskatchewan elected a Liberal MP. Whether the two provinces will be fairly and sufficiently represented in federal policymaking has become a cause for concern.
- According to Bank of Canada's autumn 2019 *Business Outlook Survey*[iv], the Prairies have a negative business sentiment, in contrast with the rest of Canada. The Survey pointed out that "… responses to most indicators of business activity, capacity pressures and prices for firms in the Prairies have deteriorated to low levels…"
- The Conference Board of Canada forecasts continued slight GDP contraction to minor recovery in the late 2019 – 2020 period for Saskatchewan and Alberta. While the overall labour market may improve slightly, employment in the mining, transportation, warehousing, and construction sectors is expected to continue to fall. Mirroring this trend, Synergy is expected to continue low growth in deposits, payments and lending.
- Despite unfavourable weather conditions, farmers were able to make good yields. There were, however, many reports of downgrading at the elevator. With marketplace uncertainty, we expect some price volatility over the next 12 months.
- The Lloydminster housing market showed continued weakness in 2019, according to Alberta Real Estate Association[v]. 2019 year-to-date average price continued to decrease, and the region has experienced over 30% cumulative price declines since the start of the crisis. Lloydminster and area will remain an oversupplied market, causing pressure on prices.

i https://business.financialpost.com/news/economy/david-rosenberg-pegs-canadas-recession-odds-at-80-in-crude-condos-and-cannabis-economy
ii https://www.bloomberg.com/graphics/us-economic-recession-tracker/
iii https://www.eia.gov/outlooks/steo/
iv https://www.bankofcanada.ca/2019/10/business-outlook-survey-autumn-2019/
v https://albertarealtor.ca/

2019 PERFORMANCE TARGETS AND 2020 BUDGET

	2019 Targets	2019 Performance	2020 Budget
Asset growth	**2.00%**	2.51%	**2.61%**
Loan growth	**2.00%**	(0.66%)	**2.00%**
Deposit growth	**2.00%**	3.21%	**2.50%**
	As a percent of average assets		
Net interest margin	**2.47%**	2.61%	**2.25%**
Non-interest income	**0.66%**	0.51%	**0.61%**
Non-interest expenses	**2.32%**	2.26%	**2.35%**
Income before allocations and tax	**0.81%**	0.87%	**0.47%**

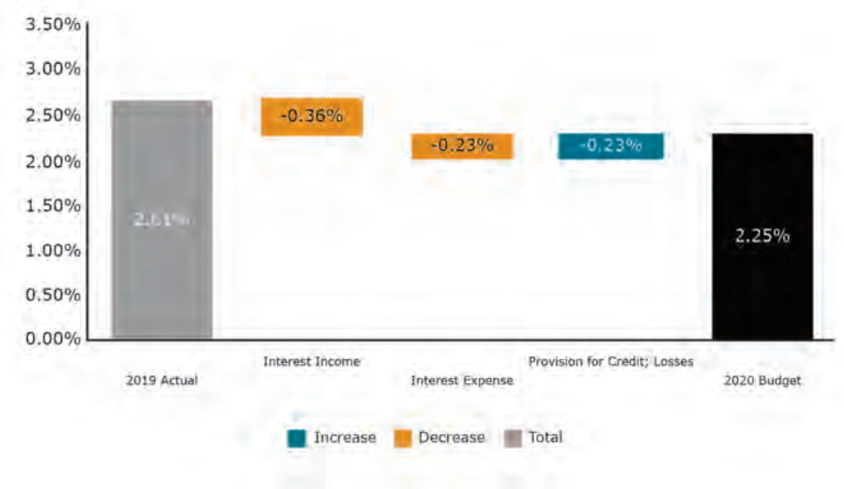
Outlook:

In early 2020, we were presented with an opportunity to explore a merger with Macklin Credit Union. Something we are very excited about. There will be a vote of Macklin's membership in March that will determine the outcome of the proposal. We look forward to bringing these two strong credit unions together, building on each other's successes to make both memberships even stronger.

Synergy's performance targets for 2020 are based on expectations for modest economic growth rooted in expected GDP for Alberta and Saskatchewan. The communities we serve continue to experience dampened economic conditions. We expect these regional headwinds along with broader Canadian and global uncertainties to persist in 2020. These factors, along with increasing regulatory burden in the near term, will create a drag on our income as forecasted in our 2020 budget.

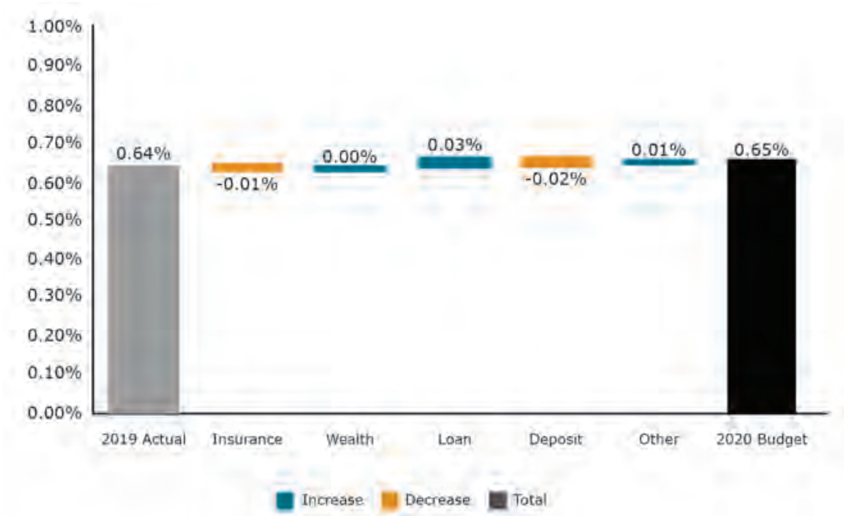
We were able to outperform budgeted net interest margin in 2019 primarily as a result of recoveries on credit losses. We are budgeting for a 35 basis point decrease in margin for 2020 as we expect income from interest to decrease at a faster rate than savings on our interest expense. We anticipate our provisions for credit losses to return to more recent historical performance. We expect there will be continued downward pressure on margin due to increased competition from other financial institutions, new market entrants and consumer demand for free or near free operating accounts. Record high consumer debt loads that result in an increasing number of bankruptcies, which directly correlates to the potential of increased loan losses, remains a concern for the foreseeable future.

Net Interest Margin as a Percent of Assets



Non-interest income is expected to increase in 2020 as losses on foreclosed assets are expected to decrease. There will be little change to our other revenue in 2020.

Other Revenue as a Percent of Assets



Synergy was able to hold non-interest expense as a percentage of assets to forecasted, with human resource vacancies as well as underspending on general expenses. For 2020, we are filling our vacancies and adding some human capital to our compliance and information technology departments.

Non-Interest Expense as a Percent of Assets

We will put our capital to work by leveraging current and future investment in technology and initiatives to enhance our members' experience. Investing in our teams and encouraging continued professional development will contribute to providing extraordinary service and delight our members. Continuous improvement will enhance our member experience and ensure that our non-interest expenses grow slower as a percentage than our net interest margin. We will take advantage of our strong capital base to support our future growth opportunities.

Over the next three- to five-year time frame, management expects financial performance to reflect steady deposit growth and weaker loan demand. Synergy is deeply rooted in this region and we are committed to providing quality expert advice to our membership. We will continue to support high-quality borrowers within our region focusing on loans that offer a fair and appropriate return and risk profile. Synergy is also committed to building our wealth management assets, actively promoting and raising awareness of our wealth service offerings to our membership and community.

2019 FINANCIAL PERFORMANCE HIGHLIGHTS

$ thousands	2019	2018	Change from 2018 Dollars	Change from 2018 Percent	Compound Annual Growth Rates 5 YEAR CAGR	Compound Annual Growth Rates 10 YEAR CAGR
Income Statement Highlights						
Total net interest income and total non-interest revenues	**43,007**	46,305	(3,298)	(7.1%)	1.6%	1.6%
Net interest income	**35,802**	38,530	(2,728)	(7.1%)	1.2%	3.1%
Provision for (recovery of) credit losses	**(837)**	4,064	(4,901)	(120.6%)	n/a	n/a
Net interest margin	**36,639**	34,466	2,173	6.3%	3.8%	3.4%
Unrealized gains (losses) on investments	**(353)**	99	(452)	(456.6%)	n/a	(513.4%)
Losses on derivatives	**(540)**	(1,270)	730	(57.5%)	(12.3%)	(186.8%)
Losses on foreclosed property	**(910)**	(116)	(794)	684.5%	n/a	n/a
Other revenue	**9,008**	9,062	(54)	(0.6%)	5.8%	(1.2%)
Total non-interest income	**7,205**	7,775	(570)	(7.3%)	3.5%	(3.7%)
Personnel – excludes employee profit sharing	**17,247**	17,102	145	0.8%	0.2%	1.6%
Occupancy	**3,400**	3,274	126	3.8%	18.5%	8.0%
Member security	**1,081**	1,067	14	1.3%	(0.6%)	3.3%
General business	**8,131**	7,858	273	3.5%	2.7%	1.7%
Organization	**472**	515	(43)	(8.3%)	(7.3%)	(4.0%)
Total non-interest expense – excludes employee profit sharing	**30,331**	29,816	515	1.7%	2.1%	2.1%
Income before allocations and tax	**13,513**	12,425	1,088	8.8%	7.9%	1.3%
Allocation to members	**2,703**	2,449	254	10.4%	10.9%	(5.2%)
Allocation to employee profitsharing	**1,352**	1,242	110	8.9%	24.3%	0.0%
Income tax expense	**2,218**	1,901	317	16.7%	7.3%	8.5%
Comprehensive income	**7,240**	6,833	407	6.0%	5.0%	3.6%
Balance Sheet Highlights						
Assets	**1,421,615**	1,386,770	34,845	2.5%	2.1%	4.4%
Loans net of allowances	**1,139,903**	1,146,877	(6,974)	(0.6%)	1.0%	4.6%
Deposits	**1,232,038**	1,193,993	38,045	3.2%	2.4%	4.4%
Member equity	**35,139**	34,512	627	1.8%	(3.4%)	0.0%
Equity	**107,000**	99,760	7,240	7.3%	6.9%	9.6%
Off-Balance Sheet Assets						
Wealth services assets	**380,669**	336,442	44,227	13.1%	9.2%	13.8%
Mortgages administered	**7,916**	8,370	(454)	(5.4%)	(27.6%)	(10.0%)
Total On-and-Off Balance Sheet Assets	**1,810,200**	1,731,582	78,618	4.5%	3.1%	5.7%

*prior year figures have been reclassified to conform to the current year's presentation

Other Financial Measures As a percent of average assets	**2019**	**2018**	**Change**
Net interest income	**2.55%**	2.78%	-0.23
Provision for credit losses	**-0.06%**	0.29%	-0.35
Net interest margin	**2.61%**	2.49%	+0.12
Non-interest income	**0.51%**	0.56%	-0.05
Non-interest expenses	**2.26%**	2.25%	+0.01
Return on average assets (after tax)	**0.52%**	0.49%	+0.03
Efficiency ratio	**73.70%**	67.10%	+6.60

Regulatory Capital Adequacy Ratios	**2019**	**2018**	**Change**
Tier 1 capital to risk-weighted assets	**13.21%**	12.58%	+0.63
Eligible capital to risk-weighted assets	**18.21%**	17.70%	+0.51
Leverage ratio	**10.29%**	10.02%	+0.27

Asset Growth:

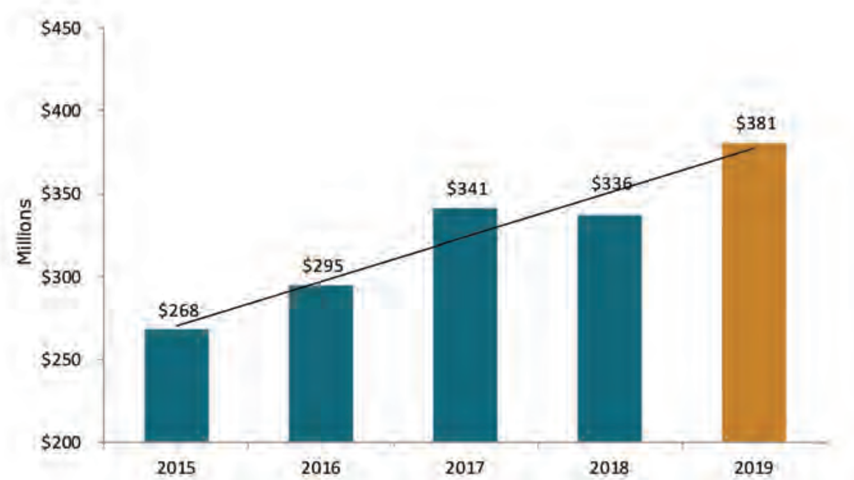
2019 Results

- Ended December 31, 2019 with on-balance sheet assets of $1.42 billion (2018 - $1.38) this equates to a 2.5% or $34.8 million increase
- Other assets under administration include off-balance sheet assets managed by our wealth services division totaling $381 million (2018 - $336) and $7.9 million (2018 - $8.4) in loans sold or syndicated to other credit union partners but serviced by Synergy
- These assets increased by $43.8 million in 2019 as a result of overall strength in the underlying financial markets netted with pay downs in our off-balance sheet loans

Asset Growth (on balance sheet) – *5-year historical plus 2020 Budget*

The following chart shows our 5-year historical growth in wealth assets under administration.

Wealth Services Assets – *5-year historical*



The following graph shows the on-balance sheet assets (blue) combined with off-balance sheet assets (orange) under administration.

Total On- and Off-Balance Sheet Assets – *5-year historical*

Outlook:

Asset growth on balance sheet is above our 5-year historical average of 1.8% but below our 10-year historical average of 4.93%. We are budgeting 2.61% growth for 2020 and with our strong capital position, we are poised to take advantage of growth opportunities as our region recovers from the difficult economic environment we have been experiencing. We are mobilizing our sales team to capitalize on opportunities that fit our overall risk tolerance in 2020, however we do not anticipate any notable recovery in our economic environment in 2020.

A key strategic focus for Synergy for the past several years has been to grow our wealth assets. Our 10-year historical average growth rate is 14.3% and we have increased these assets by $116 million. We have increased our staff complement in this area to service in person advisory, as well as introduced a digital advisor platform to complement our digital online brokerage. This is a key area of our business where we are enhancing our ‘human plus digital’ member experience.

Loan Growth:

2019 Results

- Negative loan growth of 0.66% (2018 - 2.3%) primarily as a result of softer loan demand and pay downs of collection files
- Gross loans totaled $1.150 billion (2018 - $1.158) decrease of $8 million
- Net loans totaled $1.139 billion (2018 - $1.146) decrease of $7 million over the prior year
- Loan allowances decreased by $1.7 million year-over-year. Specific allowance reduced by $1 million and collective by $700 thousand
- Actual write-offs were $847 thousand (2018 - $2.31 million) a significant reduction from previous year. Loans reached 79.81% (2018 - 82.7%) of total assets; below our optimal range of 82%-84% which will help maximize our overall yields
- Consumer portfolio contracted by 2.41% or $19 million
- Agricultural and Commercial portfolio grew at 2.75% or $10 million over the year prior

Credit quality:

Credit losses are a normal part of our business and tend to increase during economically uncertain times. Our lending portfolio is focused on areas of demonstrated lending expertise using a set risk profile scoring. The risk profile of a loan is based on several key metrics and applied consistently throughout our portfolio.

Allowances for credit losses are maintained to absorb potential (expected) and probable (specific) losses and are determined by the overall quality and marketability of the security held against the impaired loan. Our practice is to set up specific allowances early on and work diligently to minimize actual write-offs.

Loan Growth – *5-year historical plus 2020 Budget*

Outlook:

The economic slowdown that started in late 2014 has substantially impacted our region. Our 5-year and 10-year historical loan growth average is 1.0% and 4.6% respectively. We anticipate that our growth rate will trend below our 10-year historical growth rate but slightly above our 5-year average for the foreseeable future and trend much closer to GDP expectations of around 2% for Alberta and Saskatchewan.

Sustained and continued deterioration of residential real estate prices and high inventory in our markets is having an impact on Synergy. The aforementioned conditions along with stricter qualification requirements for home owners and heavily leveraged consumers are a concern in our consumer portfolio, which represents two thirds of our entire loan book.

In addition, delayed wet harvest, lower commodity prices as well as the inability to get them to market continue to dampen typical capital investments by agricultural and commercial operations in our area.

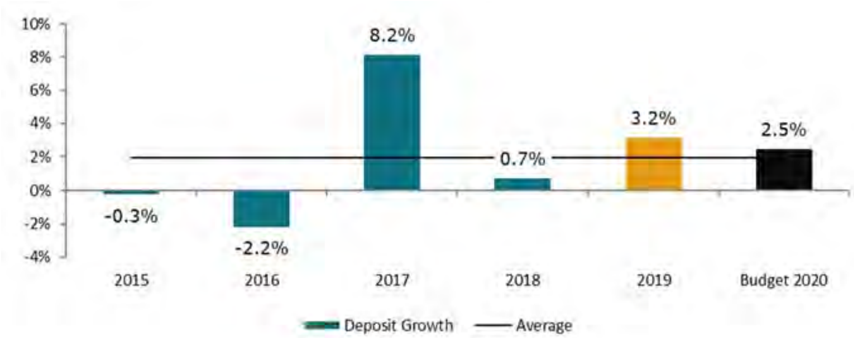
Provisions related to performing loans are expected to be more volatile due to the implementation of a forward-looking expected credit loss model of IFRS 9. While we experienced a recovery in both our expected and specific provisions, for 2020 we are budgeting a return to 20 basis point of average assets expense just slightly above our 5-year historical average of 15 basis points.

Deposit Growth:

2019 Results

- Growth of 3.2% (2018 - 0.7%) or $38.0 million (2018 - $8.7)
- Demand deposits, which account for 55% (2018 - 58%) of our entire deposit base decreased $13.8 million or 2.0% year over year
- Term deposits, which make up the remaining 45% (2018 - 42%) of our deposit base, grew $51.9 million, achieving 10.3% growth year over year

Deposit Growth – *5-year historical plus 2020 Budget*



Outlook:

While management believes that we will continue to experience the dampening effects of our current weak economic environment, as conditions in our region improve, Synergy believes that we will see increased demand for savings and investment products, which in turn will grow our deposit base both on- and off-balance sheet. We will continue to provide top quartile rates to attract depositors. As our region begins to navigate through the latest economic contraction, we expect 2.5% growth in 2020, slightly above our 5-year average of 2.4% with a return close to our 10-year average of 4.4% thereafter.

Net Interest Income and Margin:

2019 Results

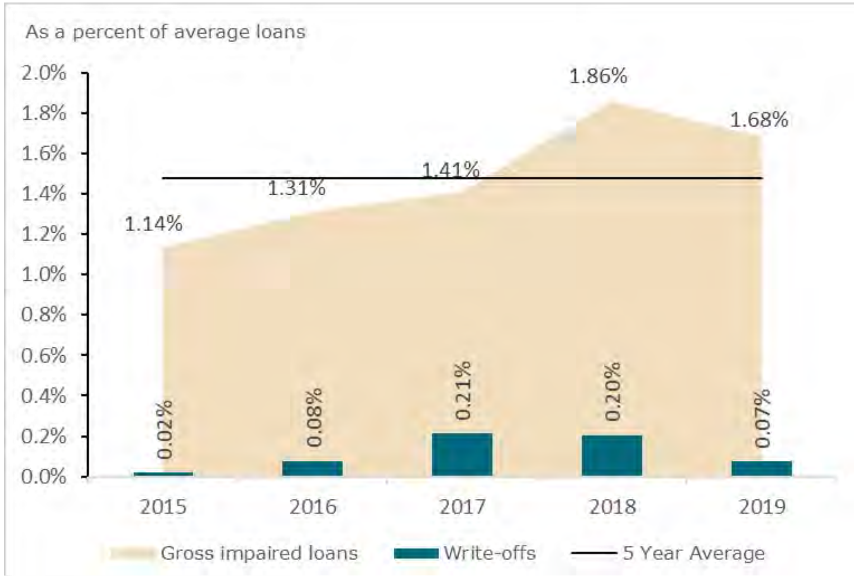
- Net interest income decreased $2.7 million, or 7.1%, to $35.8 million (2018 - $38.5), representing 2.55% (2018 - 2.78%) of average assets, returning net interest income to 2017 levels
- Net interest margin (net of loan provisions) increased by $2.2 million (2018 - $1.6) or 6.3% to $36.6 million (2018 - $34.5), representing 2.61% (2018 - 2.49%) of average assets
- The improvement in net interest margin was primarily due to the recovery of credit losses. If not for this, we could have experienced a decrease in interest margin. Our recovery was $837 thousand or (0.06%) of average assets. This result is significantly better than our 10-year average of 0.06% and 5-year average of 0.15%
- Net interest margin is affected by credit losses, which are a normal part of our business and tend to increase during economically uncertain times. We have adopted new processes to minimize losses, which contributed positively to our recovery in 2019

	2019				Change in Rates	2018			
$ thousands	Average Balances	Mix	Interest	Rate		Average Balances	Mix	Interest	Rate
ASSETS									
Cash and investments	219,143	14%	5,294	2.42%	- 0.16%	212,846*	15%	5,489	2.58%
Loans	1,143,390	83%	49,511	4.33%	+ 0.07%	1,133,732*	82%	48,293*	4.26%
Other assets	41,660	3%	451	1.08%	- 0.81%	41,820*	3%	792*	1.89%
LIABILITIES AND EQUITY									
Deposits	1,213,016	86%	18,398	1.52%	+ 0.29%	1,189,654	86%	14,657	1.23%
Loans payable	46,180	3%	1,056	2.29%	- 0.04%	59,481	4%	1,387	2.33%
Other liabilities	6,792	1%	-	-	-	6,458	1%	-	-
Equity and membership shares	138,205	10%	-	-	-	132,805	9%	-	-
NET INTEREST INCOME	**1,404,193**	**100%**	**35,802**	**2.55%**	**- 0.23%**	1,388,398	100%	38,530	2.78%
Provision (recovery) for credit losses			(837)	(0.06%)	- 0.35%			4,064	0.29%
NET INTEREST MARGIN			**36,639**	**2.61%**	**+ 0.12%**			34,466	2.49%*

*prior year figures have been reclassified to conform to the current year's presentation

Average yields earned on loans increased 0.07%, resulting in an additional $1.2 million in loan income. This additional loan income was used to fund increased deposit expense of $3.7 million, increasing the yield received by depositors by 0.29%. We continued to experience significant margin compression in 2019 as a result of interest paid to depositors that could not be recovered at the same rate from granting loans.

The following chart outlines Synergy's 5-year gross impaired loans and write-off history for its loan portfolio. Gross impaired loans reached the highest in our 5-year history in 2018 at 1.86%, where 2019 brought some relief and our impaired loans decreased to 1.68%. Our 5-year historical average of gross impaired loans is 1.48%. While elevated write-offs as a percentage of average loans was 0.07% in 2019, exactly the same as our 10-year historical average, it was below many of our peers and the industry as a whole. It is still above our 10-year historical average of 1.2% .



Outlook:

While the Bank of Canada has held rates steady there are hints at a possible reduction in prime rate. In our budget, we have anticipated two interest rate decreases in 2020, one at the beginning of the year and one at the end of the first quarter. With the prime rate reduction, and the return to normal provision expense, a further reduction in interest margin of 36 basis points from 2019 levels is expected. In addition we are targeting top quartile rates on both our deposits and loans to attract growth, which will put additional downward pressure on our margin.

Average liquidity is expected to remain relatively stable to increasing in 2020 as the credit union seeks to maintain a targeted loan-to-asset ratio in the range of 82% - 84%. The last three years have found Synergy below our target loan-to-asset ratio as leveraged consumers have been a drag on new lending opportunities. Lower levels of liquidity and a higher loan-to-asset ratio will generally enhance net interest income by placing assets into comparatively higher yielding interest bearing assets. We believe that we will slowly see allowances decrease as experienced in 2019. We will continue to monitor our allowances and diligently work to ensure actual loan write-offs remain within industry standards as our region slowly works its way out of the 2014/2015 economic downturn.

Non-Interest Income:

Non-interest income consists of gains/losses on derivatives, investments, foreclosed properties and other revenue. In 2019 Synergy experienced a $353 thousand loss on investments, a $540 thousand loss on derivatives and a $910 thousand loss on foreclosed properties. The remainder of our non-interest income is comprised of other revenue.

2019 Results – Other Revenue

- Ended the year at $9.00 million (2018 - $9.06), a decrease of $54,000
- We increased our revenue in wealth services, loan fees and lease revenue
- We experienced a decrease in credit card revenue as we changed card providers in summer of 2018

			Change from 2018	
$ thousands	**2019**	**2018**	Dollars	Percent
Deposit fees and commissions	**3,638**	3,657	(19)	(0.52%)
Wealth services	**2,784**	2,594	190	7.3%
Creditor insurance	**1,319**	1,372	(53)	(3.9%)
Loan fees	**695**	664	31	4.7%
Credit card	**190**	405	(215)	(53.1%)
Lease	**203**	148	55	37.2%
Other	**179**	222	(43)	(23.4%)
Total other revenue	**9,008**	9,062	**(54)**	**(0.60%)**

As a percent of average assets	2019	2018	Change
Deposit fees and commissions	**0.26%**	0.27%	-0.01
Wealth services	**0.20%**	0.19%	+ 0.01
Creditor insurance	**0.09%**	0.10%	- 0.01
Loan fees	**0.05%**	0.04%	+0.01
Credit card	**0.01%**	0.03%	- 0.02
Lease	**0.02%**	0.01%	+0.01
Other	**0.01%**	0.01%	-
Total other revenue	**0.64%**	0.64%	-

Outlook:

Growing other revenues, particularly revenues generated by our Wealth Services division, will be essential to maintaining sufficient profitability and sustaining Synergy's strategic direction, growth plans, and capital ratios. Industry analysis suggests we can improve our wealth services revenue streams by at least 10-15 basis points through active promotion and raising awareness of our wealth service offerings to our membership and the communities we serve.

As we grow our new credit card portfolio through a win-back strategy, we expect to return to historical average revenues over the next three years. We anticipate continued negative pressure on both creditor insurance due to slower loan demand as well as deposit revenue as our account packages continue to evolve and decrease in cost to remain competitive in the marketplace. In addition, we have been able to secure an additional lease in Lloydminster that will contribute to other revenue and operating costs near the end of 2020 and will fully come online in 2021.

Losses on foreclosed property are expected to reduce in 2020.

Non-Interest Expense:

Total non-interest expenses, which encompasses allocations to Synergy's annual employee profit sharing program.

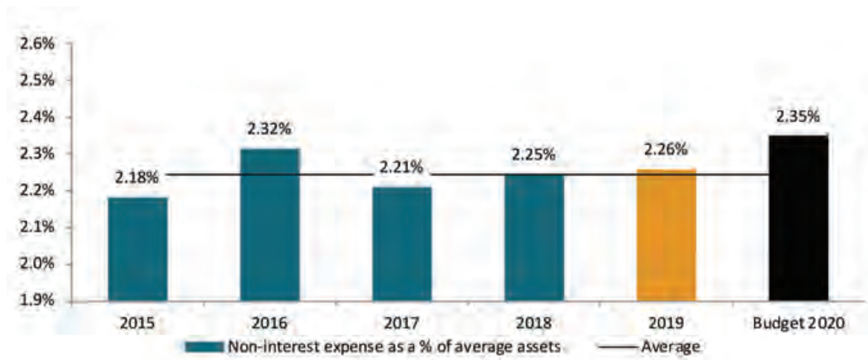
2019 Results

- Non-interest expense increased $625 thousand (2018 - $1.0 million), or 1.0%, to $31.7 million (2018 - $31.0)
- As a percentage of average assets, non-interest expense increased from 2.25% in 2018 to 2.26% in 2019

			Change from 2018	
$ thousands	2019	2018	Dollars	Percent
Personnel	**18,599**	18,344	255	1.4%
Occupancy	**3,400**	3,274	126	3.8%
Member security	**1,081**	1,067	14	1.3%
General business	**8,131**	7,858	273	3.5%
Organization	**472**	515	(43)	(8.3%)
Total non-interest expense	**31,683**	31,058	**625**	**1.0%**

As a percent of average assets	2019	2018	Change
Personnel	**1.32%**	1.32%	-
Occupancy	**0.24%**	0.24%	-
Member security	**0.07%**	0.07%	-
General business	**0.59%**	0.58%	+0.01
Organization	**0.04%**	0.04%	-
Total non-interest expense	**2.26%**	2.25%	**+0.01**

Non-interest expense as a percent of average assets *– 5-year historical plus 2020 Budget*



Efficiency Ratio – *5-year historical plus 2020 Budget*

Outlook:

One of management's key priorities is to ensure non-interest expenses are properly aligned with net interest margins, ensuring Synergy is well positioned to deliver strong growth over the long term.

Synergy continues to make substantial investments in its technology infrastructure to position itself for future growth. These investments are expected to provide considerable efficiencies in the future, as it will improve member service by automating standardized and manually intensive processes. We believe technology can improve turnaround times, reduce errors, and add significant value to our member experience.

Synergy's efficiency ratio, which is non-interest expenses divided by net interest income and total non-interest revenue, has seen a deterioration in 2019 to 74% (2018 - 67.1%). This was the result of a $910 thousand loss in foreclosed property costs. If the efficiency ratio was calculated without this foreclosed property loss it would be reduced to 72%. Our budget for 2020 assumes that we will experience higher than normal foreclosed costs and additional personnel costs that will negatively impact the above ratio, however we will trend closer to our 5-year historical average of 70% in 2021 and beyond.

The effective execution of Synergy's strategic priorities will require increased investment in certain areas. Anticipated expenditures include continued upgrades to our technology platforms and technology-based service delivery channels. Investments in these areas are expected to provide material benefits in future periods.

With the increasing levels of regulatory compliance for Saskatchewan credit unions and all Canadian financial institutions in general, we continue to see a significant investment in both time and resources required to meet regulatory expectations. This results in escalating compliance costs and is expected to grow in future years. In addition, it is important that we protect both our members' data as well as their privacy. This will put upward pressure on our efficiency ratio as we are not expecting to grow at a quick enough rate to absorb the costs.

We expect occupancy costs to decrease as our Lloydminster facility and its supporting technology infrastructure depreciates. The credit union expects our non-interest expense and efficiency ratios will see continued improvements over the next three to five years once historical asset growth returns.

Income before Allocations and Tax:

2019 Results

- Income before allocations, employee profit shares and tax was $13.5 million (2018 - $12.4), an increase of $1.1 million or 8.77%
- Allocations to employees (employee profit sharing) was $1.35 million (2018 - $1.24), representing an increase of $110 thousand or 8.86% year-over-year
- Allocations to members (ProfitShares) was $2.7 million (2018 - $2.5), representing an increase of $254 thousand or 10.37% year-over-year
- Income tax expense was $2.2 million (2018 - $1.9) an increase of $317 thousand or 16.68%

In 2017, Synergy redesigned its employee variable pay program to equal a percentage of income before allocations and tax, similar to the methodology used to determine member allocations. Based on the new employee profit sharing distribution methodology, employees will receive 10% of Synergy's income before allocations and tax, with members receiving up to 20%.

The chart below shows how the income has been distributed over the past 5 years.

Income before allocations and tax – *5-year historical plus 2020 Budget*

Outlook:

Synergy expects 2020 profit to be about 50% of what was achieved in 2019. Key items contributing to the reduction include:

- Provision expense returning to 20 basis points - or $2.1 million
- Technology investment in a new online banking platform - approximately $500 thousand
- Increased salary costs of $1.5 million, including additional resources allocated to compliance, privacy and information technology

The digital investments will help us provide an excellent member experience and reduce mundane processes which will help us become more efficient. As we leverage our digital investments, we expect to be able to generate revenue with our existing staff complement.

Comprehensive Income:

2019 Results

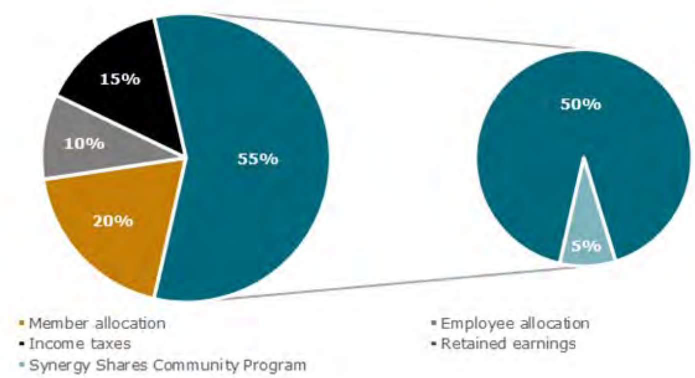
- Comprehensive income after taxes and allocations was $7.2 million (2018 - $6.8), up $407 thousand or 6.0% over 2018
- Member allocations of $2.7 million
- Income taxes paid at a rate of 23.5%

Outlook:

Synergy is proud to share its profits with our members, our employees and our Synergy Shares Community Fund, and we will continue to do so.

As the small tax credit in Saskatchewan continues to be reduced, we do expect taxes to increase in 2020.

Synergy's 2019 Profit Distributions



SYNERGY SHARES PROGRAM

In 2017, we announced the establishment of our new Synergy Shares Community Fund and kicked it off with $750,000 to celebrate our 75th year.

Each year up to 5% of Synergy's pre-tax profit will be set aside to fund this valuable initiative. Our goal is to build the fund up over time to ensure Synergy has the resources available to support our communities.

Synergy SHARES PROGRAM

ENGAGE. COLLABORATE. GROW.

Synergy Shares Program Fund – 2019

	Commitments (#)	Commitments ($)	Balance
2019 opening balance			747,706
Less:			
2019 donations funded	9	113,900	
2019 scholarships funded	28	22,035	
To fund in future	3	12,500	
Sub-total	40	148,435	(148,435)
		Carry forward balance to 2020	**599,271**

Our allocation for 2020 will be 5% of profits before distributions totaling $608,050.

Our funding priorities include:

- Community value - multi-purpose projects that have community-wide appeal that sustain, improve and grow communities that we serve
- Financial wellness – scholarship and financial literacy programs
- Healthcare - projects and programs that sustain and improve healthcare
- Local community engagement

Applications can be picked up at any of our branch locations or on our website at www.synergycu.ca.

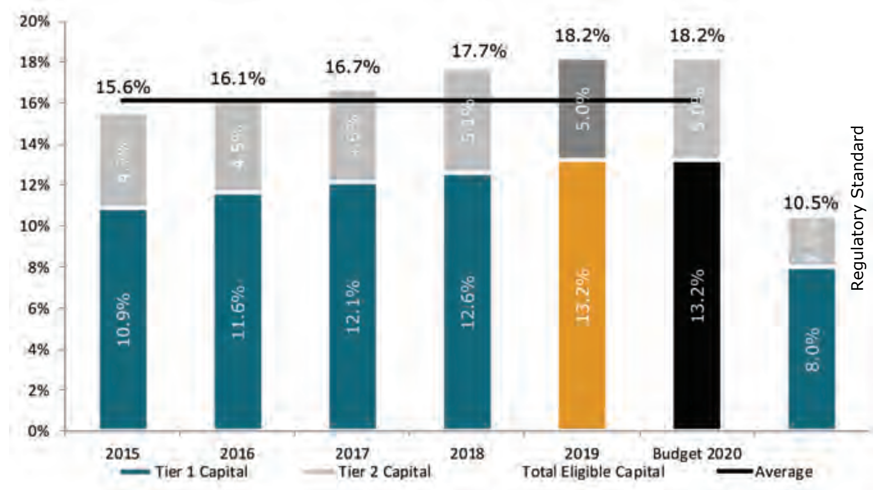
CAPITAL MANAGEMENT

2019 Results

- Retained earnings grew by 7.25% to $107 million (2018 - $99.8)
- Eligible capital grew by 5.2% to $147.0 million (2018 - $139.7)
- Tier I capital rose by 7.4% to $106.6 million (2018 - $99.3)
- Retained earnings made up 73% (2018 - 74%) of Synergy's capital base

With the adoption of the Basel III capital standards in 2013, Synergy began to execute its capital realignment plan in response to the loss of tier 1 capital eligibility for ProfitShares. The chart below depicts Synergy's capital history over the past 5 years as we completed our full transition to Basel III capital standards, including the establishment of a 2.5% capital conservation buffer.

Capital – *5-year historical plus 2020 Budget and regulatory standard*



Outlook:

Synergy expects to maintain its strong capital ratios, which are well above CUDGC's minimum requirements. Management feels confident the credit union is appropriately positioned to adapt to business growth opportunities and unexpected stressed events.

Target capital ratios under Basel III, including any appropriate capital buffers over the prescribed CUDGC minimums, are reconfirmed through the credit union's comprehensive internal capital adequacy assessment program (ICAAP) and annual stress-testing results. Stress testing simulations include three separate five-year forward scenarios where the credit union experiences escalating levels of delinquency and credit losses, a persistent low interest rate environment, higher deposit and funding costs, which when all combined results in a significant compression of net interest margin. Synergy's capital is able to withstand all of our scenarios.

CORPORATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

As a member-owned, co-operative financial institution, Synergy Credit Union is governed by a Board of Directors democratically elected by the credit union's members.

The Board has a fiduciary responsibility for the credit union, protecting members' interests and financial assets. It shapes the organization's strategic direction and ensures appropriate processes and controls are in place to identify, manage and monitor applicable risks. The Board selects the CEO, establishes the CEO's accountabilities and evaluates the CEO's performance. The Board also communicates with members and other stakeholders by reporting its activities through this annual report, the annual general meeting and other channels.

BOARD GOVERNANCE STRUCTURE

The Board of Directors is comprised of positions which are allotted based on four geographic districts consistent with the constituency boundaries established for the Saskatchewan Provincial Elections under The Representation Act, 2013. The following chart outlines Synergy's electoral districts, service centre coverage, and the directors currently serving.

	Allotted Director Positions	Service Centres	Current Directors
DISTRICT 1	**5**	Lloydminster	Brent Baier Richard Graff Melanie Mari Tom Schinold Carolyn Young
DISTRICT 2	**2**	Paradise Hill St. Walburg Marshall	Neil Carruthers Joe Larre
DISTRICT 3	**3**	Lashburn Neilburg Maidstone Marsden	Dean Walde Don Wheler Joe Koch
DISTRICT 4	**2**	Denzil Kindersley	Lorne Janzen Dean Roberts

While they are elected regionally, directors are responsible for representing the best interests of the credit union as a whole, and for all members, regardless of region. Directors protect and uphold the credit union's values, exercising judgment with honesty and integrity. They offer a broad range of knowledge and depth of experience, as well as an understanding of the principles and values of the credit union and its communities.

Directors must be independent from the credit union and the financial services industry, in general, and must not have an interest or relationship with Synergy Credit Union that could be seen to interfere with their ability to act in the best interest of the credit union and its members. The Board's corporate governance committee annually reviews compliance with this requirement.

ADVISORY COUNCIL

In 2020, the advisory council will be dissolved. It will be replaced with ad hoc focus groups to give timely feedback on existing or proposed changes to Synergy's product offering.

MEMBER INVOLVEMENT

By participating in the democratic process, members shape and direct Synergy Credit Union's future. The Board encourages members to attend the annual general meeting and vote in director elections and on special resolutions. Members in good standing may stand for election to the Board or be considered for appointment to Advisory Council.

BOARD OF DIRECTORS - **DISTRICT 1**

BRENT BAIER

Brent is the founder and CEO of Iron Will Innovations and inventor of the Peregrine Glove, a wearable technology interface. In 2005 he graduated with Distinction from Lakeland College, with a Computer Systems Technology diploma, and received the prestigious Vic Juba Leadership Award. He has extensive experience in business and entrepreneurship in the areas of prototyping, patenting, engineering, manufacturing, marketing, fundraising, and management with business travel taking him to the US, China, Europe and the Middle East.

Brent is a lifelong credit union member and in 2012 joined the board of Synergy. He strongly believes in the member-owned cooperative philosophy and the positive impact credit unions have on their communities.

Brent grew up on a farm near Macklin, Saskatchewan. In 2015 he achieved his goal of winning the World Bunnock Championship, a tournament he has competed in since his youth. He is happily married to his wife Cherene and has two children.

BOARD MEETING ATTENDANCE	
Board	11/11
COMMITTEE MEETING ATTENDANCE	
Corporate Governance Committee	5/5
DIRECTOR COMPENSATION	
2019	9,126
2018	8,075

RICHARD GRAFF

Rick is a lifelong member of the Lloydminster/Synergy Credit Union and has served as a director since 1996. During the past 24 years he has been involved in various committees and has chaired the Audit, Risk and Building committees. He also spent 3 years as a delegate to the Saskatchewan Credit Union Central.

Rick proudly serves the Lloydminster and Hillmond communities, volunteering for numerous and varied functions and fundraiser events. He is a RM of Britannia first responder, as well as has spent many years helping plan and build the new Hillmond arena and serving as a minor hockey volunteer.

Rick has a financial background and over 30 years of sales and management experience. Currently he is a REALTOR® licensed to trade in Commercial, Residential and Rural real estate along with Property Management in the provinces of Alberta and Saskatchewan and is registered with the Real Estate Centre brokerage in Lloydminster.

BOARD MEETING ATTENDANCE	
Board	11/11
COMMITTEE MEETING ATTENDANCE	
Audit Committee	3/4
DIRECTOR COMPENSATION	
2019	8,100
2018	6,537

MELANIE MARI

Melanie was elected to the Board of Directors in 2016 and is a former employee of Synergy Credit Union. Melanie continues her career in finance as a controller with Tryton Tool Services. She has a bachelor's degree in economics from the University of Calgary, and earned a Credit Union Fellowship designation while employed at Synergy. In 2019, Melanie obtained an Accredited Canadian Credit Union Director designation and is committed to broadening her finance and leadership education.

Melanie is passionate about financial literacy, and is proud to be a part of an organization that promotes financial well-being for its members.

Melanie believes her education and credit union involvement serve her well in the role of director and is committed to taking an active part in the future of the credit union and the community.

BOARD MEETING ATTENDANCE	
Board	11/11
COMMITTEE MEETING ATTENDANCE	
Audit Committee	4/4
Risk Committee	4/4
DIRECTOR COMPENSATION	
2019	14,979
2018	7,689

BOARD OF DIRECTORS - **DISTRICT 1** (Continued)

TOM SCHINOLD

Tom was elected to the Board in 2015 and has served on the Audit and Building Committees and currently serves as the Risk Committee, Chairperson. Tom holds a Bachelor of Administration degree (majoring in accounting and finance) as well as a Diploma of Public Administration both from the University of Regina.

Tom retired from the Catholic School Division, Chief Financial Officer position in 2015, wherein he oversaw finance, facilities, transportation and project managed school capital building projects. Additionally, Tom has served on numerous community committees and organizations in leadership roles, such as chairman of the St. Anthony's Church finance committee and a founding member of Border City Optimist Club.

Tom has been a Lloydminster resident since 1991 and a Synergy Credit Union member for over 26 years. Tom strongly believes in the benefits the credit union provides the communities they serve.

Tom is married to Michelle and has a daughter and a son.

BOARD MEETING ATTENDANCE	
Board	10/11

COMMITTEE MEETING ATTENDANCE	
Audit Committee	4/4
Risk Committee (Chair)	5/5

DIRECTOR COMPENSATION	
2019	18,246
2018	9,617

CAROLYN YOUNG

In 2001, Carolyn, her husband and five children moved from Raymore, Saskatchewan to Lloydminster. She holds her CPA, CMA designation and is employed in the accounting department with Husky Energy. Previously, Carolyn worked in various positions during her 10 years at Servus Credit Union, including managing the accounting department. One of her passions is coaching which she demonstrates as part of a CPA student mentor program.

Carolyn is community oriented and believes in promoting the great things Lloydminster has to offer. She gives back to the community through her involvement with Husky's Charitable Campaign program, Relay for Life, serving as a board member on the Lloydminster Tennis Association and hosting International Rotary students. Further, Carolyn and her husband Richard, donate both their time and a portion of the proceeds to many worthwhile community organizations via their personal small businesses.

Carolyn is a longtime member and believes her personal and professional experiences are assets Synergy's Board of Directors.

BOARD MEETING ATTENDANCE	
Board	11/11

COMMITTEE MEETING ATTENDANCE	
Human Resources Committee (Chair)	3/3
Risk Committee	1/1
Corporate Governance Committee	2/2

DIRECTOR COMPENSATION	
2019	11,877
2018	10,143

BOARD OF DIRECTORS - **DISTRICT 2**

NEIL CARRUTHERS BOARD VICE-CHAIR

Elected to the Board in 2012, Neil then obtained his Accredited Canadian Credit Union Director Status in 2015. Currently Neil is the Corporate Governance Committee Chairperson and Board Vice-President.

Neil is a strong supporter of Synergy's Profit Sharing Program where our members benefit from a well-run business. Neil also believes that members should have choices of how they bank, be it online or in branch or a combination of both.

Neil holds a Degree in Agriculture from the University of Saskatchewan and has spent the last 30 years in the Animal Health Industry. Currently Neil is the Regional Business Manager for Merck. Neil was a founding Director on Zoetis Canada Pension Board as well as a past Leader for the Paradise Hill 4H club.

When the work week is done, Neil enjoys getting back to his roots and running their farm with wife Gail and two daughters in the Frenchman Butte and Biggar areas.

BOARD MEETING ATTENDANCE	
Board	11/11

COMMITTEE MEETING ATTENDANCE	
Corporate Governance Committee (Chair)	5/5
Human Resource Committee	3/3

DIRECTOR COMPENSATION	
2019	14,481
2018	11,283

JOE LARRE

Joe was elected in 2016. Along with wife Jaime and several great people they operate MJM Ranches Ltd, a large mixed farm in the St Walburg area. Joe is a Pioneer HI Bred Pro Sales representative, micro and macro nutrient packaging for crops. Joe has a Bachelor of Science, Agriculture degree from the University of Saskatchewan and to this day utilizes many college contacts to assist with the day-to-day activities of running his businesses.

He has coached minor hockey for many years, something he passionately enjoys. Joe enjoys working with different communities and is currently President of the STEP Hockey League, comprised of 20+ communities and close to 80 teams. He is past APAS rep for RM 501 and has sat on many community boards. Joe believes in the credit union philosophy and is committed to helping our rural branches retool and prepare for the future.

BOARD MEETING ATTENDANCE	
Board	8/11

COMMITTEE MEETING ATTENDANCE	
Human Resource Committee	2/3

DIRECTOR COMPENSATION	
2019	8,032
2018	7,058

BOARD OF DIRECTORS - **DISTRICT 3**

DEAN WALDE

Dean joined the Board in 1990 and has served on all committees, in addition to 7 years as President, currently serving as Audit Committee, Chairperson. Dean also served as the President of the Board of Directors of SaskCentral. Being a SaskCentral Board Member afforded him the opportunity to serve as a Board Member of CUDGC (Credit Union Deposit Guarantee Corp) and Concentra Financial.

Dean's experience is not limited to the financial industry, having served on SCA and the Saskatchewan Agricultural Council as well as a former delegate for Federated Co-op and Canadian Co-operative Association.

Dean believes in lifelong learning and is a Graduate of the Credit Union Director's Achievement Program, continuing his education in governance, risk management and financial literacy.

In 2013 Dean received the SaskCentral Order of Merit Award and in October 2017 was honored to receive the very prestigious Lifetime Co-operative Achievement Award from the Saskatchewan Co-operative Association.

BOARD MEETING ATTENDANCE	
Board	10/11
COMMITTEE MEETING ATTENDANCE	
Audit Committee (Chair)	4/4
Corporate Governance Committee	3/3
Risk Committee	3/4
DIRECTOR COMPENSATION	
2019	18,216
2018	19,322

DON WHELER BOARD CHAIR

Don joined the Synergy Credit Union Board in 1998 and was elected Board Chair in 2015. He previously worked as the coordinator for the Northwest School Division Leadership Academy following a 34 year teaching career, is a recipient of provincial and national leadership awards and has served as president on both the Saskatchewan and Canadian Student Leadership boards.

Don is committed to life-long-learning, having achieved a Bachelor of Education degree from the University of Saskatchewan and continues to upgrade his skills and knowledge as evidenced by achieving the Accredited Canadian Credit Union Director designation as well as completing the University of Toronto Rotman School of Management 'CUES Governance Leadership Institute' program.

Don believes in building strong communities within the Synergy umbrella in an ethically and fiscally responsible manner. He encourages collaboration, cooperation, and dedication as foundations for Synergy to serve its members where they live. He brings his leadership skills and experience to the Synergy team and enjoys the challenges of the ever-changing credit union landscape.

BOARD MEETING ATTENDANCE	
Board	11/11
COMMITTEE MEETING ATTENDANCE	
Ex-officio on all other board committees	15/17
DIRECTOR COMPENSATION	
2019	25,497
2018	30,942

JOSEPH KOCH

Joe joined the Synergy Board of Directors in 1990 and has served on a number of board committees as well as second vice-president. As a longtime credit union member he brings a wealth of knowledge in agriculture, agri-business and board member experience.

Community organizations and cooperatives are very important to Joe. In order to develop his skillset and competency required to hold a board position Joe has been an active member in a number of community organizations and is currently a RM of Manitou Lake 442 councilor.

Joe is passionate about farming and took every opportunity to develop his knowledge which enabled him to develop, grow and run a successful family run grain farm operation in the Marsden/Neilburg, Saskatchewan region for 37 years.

Joe resides with his wife Gail in Saskatoon and enjoys spending free time with family, including a number of grandchildren and continuing to hone his skill in machining, woodworking and mechanics.

BOARD MEETING ATTENDANCE	
Board	11/11
COMMITTEE MEETING ATTENDANCE	
Risk Committee	3/5
DIRECTOR COMPENSATION	
2019	15,505
2018	8,090

BOARD OF DIRECTORS - **DISTRICT 4**

LORNE JANZEN

Lorne served on the Kindersley & District Credit Union Board of Directors from 1995 to 2007. From 2007 to 2016 Lorne served as a Kindersley Branch Advisory Council member before joining Synergy Credit Union's Board April 2016. He currently serves on the Human Resources Committee. Lorne believes in lifelong learning and is continuing his education by working towards completing the Credit Union Director Achievement program.

Lorne retired after a 36 year career at Saskatchewan Government Insurance claims division, wherein he attained a Chartered Insurance Professional designation in 2011.

Lorne has extensive experience in both community and public service, having served 10 years as a Kindersley town councilor and currently works with the St Paul's United Church, as well Lorne is a proud, lifetime Kinsmen Club member. He also served on a humanitarian mission to Kenya in 2013. Lorne is the Vice-Chairperson of South Saskatchewan River Watershed Stewards Inc., a community based, non-profit organization whose mandate is to ensure safe, sustainable water supplies for the economic, social and environment wellbeing of the watershed and its users.

BOARD MEETING ATTENDANCE	
Board	10/11
COMMITTEE MEETING ATTENDANCE	
Human Resource Committee	3/3
Risk Committee	1/1
DIRECTOR COMPENSATION	
2019	14,337
2018	16,244

DEAN ROBERTS

Dean grew up on a farm near Coleville, Saskatchewan. After graduating high school, he attended the University of Saskatchewan where he earned a Bachelor of Science in Mechanical Engineering. He then returned to Coleville to take over the family farm. His focus has been on building a sustainable and environmentally responsible business plan that ensures both the long and short term viability of the farm. Dean enjoys attending different conferences over the year to discuss and debate the issues and opportunities facing the farm industry.

Dean was elected as a councillor for the RM of Oakdale in 2019 and has been enjoying the new experiences that municipal government provides. He is currently working on completing the Municipal Leadership Development Program (MLDP) to better serve his community.

Dean has been a lifelong member of the Credit Union system, starting with the original "Fat Cat" account. Dean joined the Synergy Board of Directors in 2014.

BOARD MEETING ATTENDANCE	
Board	10/11
COMMITTEE MEETING ATTENDANCE	
Audit Committee	4/4
DIRECTOR COMPENSATION	
2019	13,664
2018	8,383

BOARD EFFECTIVENESS AND RENEWAL

To ensure they continue to provide an appropriate level of oversight and stewardship, directors conduct regular board and performance evaluations. These evaluations assess the board's ability to work as a whole, as well as each director's skills, experience and contributions in a number of key areas, including finance, strategic planning, human resources, legal and regulatory matters and more. The evaluations help the board identify gaps it may address by recruiting new directors or through its ongoing director education program.

TOTAL DIRECTOR COMPENSATION	
2019	172,060
2018	143,383

EXECUTIVE LEADERSHIP TEAM

Synergy Credit Union has an experienced executive leadership team whose role is to oversee the operations of the credit union as established by the strategies and policies approved by the Board of Directors. Executive leadership further develops processes that identify, measure, monitor and control risks.

Glenn Stang, Chief Executive Officer

Glenn's background within the credit union system spans more than 38 years, with 22 of those years spent with Synergy. He joined Synergy in August 1997 as Branch Manager of the 50th Street Lloydminster location and held this position until July 2003, when he was promoted to the Executive Manager of Retail Services (now Chief Operating Officer). Synergy's Board of Directors voted unanimously to appoint Glenn as its new CEO, effective January 2, 2013. Glenn believes in lifelong learning and in 2015 completed an extensive 3 year program in order to obtain his Certified Chief Executive (CCE) designation.

Jason Wang, Chief Risk Officer

Prior to joining Synergy Credit Union in 2019, Jason had spent almost 20 years in the financial industry, with experience spanning across retail lending, credit card, credit bureau, and fintech areas. Jason received his Master of Business Administration degree from New York University, and holds a Chartered Financial Analyst (CFA) charter. Jason is a Board Director with Lloydminster & District United Way, and is a volunteer on the CFA Toronto Society Communications Committee.

Trevor Beaton, Chief Innovation & People Officer

Trevor was promoted to the Chief Innovation & People Officer role in September 2016. Trevor started his career in the credit union system in 1999 and spent more than 14 years in wealth management. Trevor was promoted to Manager of Advisory Services in 2013, overseeing both Wealth Services and the Business Banking Centre. Trevor holds a Master of Business Administration from Royal Roads University and a Bachelor of Commerce degree from the University of Saskatchewan. Trevor was recognized as a National Young Leader in 2012 and served 3 years on the National Young Leader Committee. Outside of work, Trevor plays an important leadership role in his community of Lashburn. Trevor coaches minor sports, and has been an active board member of fundraising events and recreational facilities.

Brent Bergen, Chief Operating Officer

Brent's background within the credit union system spans more than 30 years in seven different credit unions across Saskatchewan and Alberta. Brent joined Synergy Credit Union in September 2007 as a Regional Manager. He was promoted to the Manager of Retail and was most recently selected as the Chief Operating Officer in January 2013. Brent has completed all modules of the Leadership Foundations program with the Smith School of Business at Queen’s University and has received his certification from the Queen's Executive Development Centre. Brent is a Board Member of the Lloydminster Region Health Foundation and is a member of the Finance and Administrative committee. Brent is also a member of the Community Housing Initiative Program for Lloydminster.

Christine Tucker, Chief Financial Officer

Christine’s background within the credit union system spans 20 years. She joined Synergy Credit Union in April 1999 as an Account Manager in Lashburn. Since then she has held many roles including Branch Manager, Regional Manager, Manager of Retail and in July 2018 was promoted to Chief Financial Officer. Christine is a CPA, CMA and with Synergy has continued her passion for continuous learning and achieved her ACUIC designation through Dalhousie University. In addition, Christine is a certified facilitator of our internal cultural training programs at Synergy. She serves on the Board of Midwest Family Connections and is the Finance chair here in Lloydminster.

Left to Right: Jason Wang, Brent Bergen, Glenn Stang, Trevor Beaton, Christine Tucker

RISK MANAGEMENT

Synergy's business activity exposes us to a wide variety of risks in virtually all aspects of our operations. Our ability to manage these risks is a key competency within the organization and is supported by a strong risk culture and an effective approach to risk management.

Taking measured risks is part of Synergy's business. As a provider of financial products and services, we consider risk management to be critical and integral to our business success. Our risk profile is determined by our own strategies, actions, and changes to the external business environment. We manage these risks within an enterprise-wide risk management (ERM) framework. We continually review our operations, assess and analyze the level of our risk exposures, and compare our risk profile and risk performance measures against a group of selected peer credit unions in Saskatchewan, the Big 5 Canadian chartered banks, and other key competitor financial institutions.

RISK MANAGEMENT PRINCIPLES

These core risk management principles guide Synergy's risk management practices:

- Balancing risk and reward effectively through aligning business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through preventive and detective controls.
- Viewing risk as acceptable and necessary to build the business. We only accept those risks that can be understood, managed and are consistent with our cooperative values, code of conduct, and board-approved policies.
- Believing every employee is essentially a risk manager and must be knowledgeable of the risks inherent in their day-to-day activities and responsibilities.
- Building stronger relationships with members reduces our risks by "knowing our members" and ensuring the services we provide are suitable for, and understood by, each member.
- Aiming risk controls at minimizing uncertainty and maximizing opportunity in a way that optimizes the credit union's capacity to protect, and sustainably grow value for our members.
- Using common sense and sound judgment in order to manage risk throughout the credit union.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The primary goal of ERM is to ensure the outcomes of risk taking are consistent with the credit union's business activities, strategies and risk appetite. Our ERM framework provides the foundation for achieving this goal and it is constantly evaluated to ensure it meets the challenges and requirements faced by Synergy. The evaluation includes a comparison to industry best practices, as well as compliance with evolving regulatory standards.

RISK CULTURE

A strong risk culture emphasizes transparency and accountability. Organizations with a strong risk culture have a consistent and repeatable approach to risk management when making key business decisions, including regular discussions of risk and ongoing reviews of risk scenarios that can help management and board members understand the interconnectedness and potential risk impacts. Synergy's strong risk culture is the cornerstone of its effective ERM framework. It starts with appropriate leadership that demonstrates and sends clear messages throughout the organization. This strong risk culture is communicated and emphasized by the actions of executive leadership and the Board of Directors.

RISK GOVERNANCE

The Board of Directors maintains overall accountability for risk management for the organization. The Board has developed a framework for delegating authority and risk accountability. With this framework, the Board seeks to:

- Understand the risk categories, types of risks the organization may be exposed to, and the practices used to identify, assess, and monitor those risks from a high-level perspective.
- Periodically review and approve the risk policies for specific risks (credit, market, liquidity, etc.), and establish the risk appetite and high-level risk limits for the organization.
- Ensure management has established more granular risk limits that are in line with the board approved risk appetite and high-level risk limits.
- Require a process for identifying, assessing, monitoring and reporting risk exposures.
- Require management to have a process for determining optimal capitalization and for ensuring that appropriate capital management strategies are in place.

The Board of Directors has delegated specific risk oversight and risk accountability to the following committees of the Board. These committees are responsible for studying, discussing and developing risk policy and risk management recommendations for consideration to the Board of Directors.

AUDIT COMMITTEE

The Audit Committee is responsible for exercising oversight of the internal audit function and for reviewing the effectiveness of internal control and risk management practices. The committee is accountable to the Board for providing reasonable assurance that risks are being adequately managed, and our exposures are within regulatory constraints and the approved risk appetite. The committee further serves as the Conduct Review Committee as specified under *The Credit Union Act, 1998*. The Audit Committee held 4 meetings in 2019.

AUDIT COMMITTEE CORE RESPONSIBILITIES

- Monitoring financial performance
- Oversight of internal audit
- Monitoring of credit portfolio
- Compliance with anti-money laundering and privacy legislation
- Oversight of annual operating budget
- Compliance with Standards of Sound Business Practice and Synergy's code of conduct
- Monitoring of related party transactions and conflicts of interest

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for facilitating effective governance of the credit union, ensuring governance practices evolve with the needs of Synergy. The committee ensures the credit union develops and pursues objectives that maximizes member engagement in the credit union, fosters self-reliant sustainable communities, and ensures appropriate processes are in place to effectively communicate with members and other stakeholders. The committee also serves as the Nominating Committee, whose responsibilities include facilitating the identification of qualified candidates for election to the Board of Directors. The committee's role is to provide for the proper conduct of director elections, including overseeing an orderly, open, transparent and democratic election process. The intent is to encourage participation in the election process, including achieving broad-based, informed, active and effective member engagement. The Corporate Governance Committee held 5 meetings in 2019.

CORPORATE GOVERNANCE COMMITTEE CORE RESPONSIBILITIES

- Business conduct for directors
- Board committee structure
- Bylaw maintenance and recommended changes
- Board development and succession planning
- Director election process
- Director compensation
- Member engagement and satisfaction
- Community investment
- Stakeholder communications

HUMAN RESOURCES COMMITTEE

The Human Resource Committee is responsible for overseeing governing human resource policies, as implemented by management, to ensure Synergy's employees are provided with fair and meaningful employment in a safe and respectful workplace. The committee has specific responsibilities with respect to the appointment, monitoring and compensation of executive management. The committee also oversees the development and monitoring of policies that provide for the desired ethical conduct by employees. The Human Resource Committee held 3 meetings in 2019.

HUMAN RESOURCES COMMITTEE CORE RESPONSIBILITIES

- CEO contract, compensation and evaluation
- CEO succession plan
- Executive management appointments and succession
- Employment principles and compensation
- Employee satisfaction
- Business conduct for employees

RISK COMMITTEE

The Risk Committee is responsible for exercising oversight activities related to Synergy's risk appetite and ERM framework, including its liquidity and capital stress testing practices. This includes ensuring the appropriate governing policies are developed that include the context for risks to be taken, the level of risks, and the monitoring of adherence to those risk policy parameters. The Risk Committee held 5 meetings in 2019.

RISK COMMITTEE CORE RESPONSIBILITIES

- Oversight of enterprise risk management framework
- Monitoring of corporate risk profile
- Monitoring of internal capital adequacy assessment program (ICAAP) and stress testing results
- Oversight of liquidity, interest rate, and credit risks

MANAGEMENT'S ROLE IN RISK GOVERNANCE

The **Chief Executive Officer** is accountable to the Board for managing all material risks across the organization. This includes development and execution of strategic and business plans, as well as developing, implementing and monitoring the risk management strategy.

The Chief Executive Officer is supported by the **executive leadership team**, which is comprised of department heads and direct reports. Members of the executive leadership team are responsible for managing all risks generated in their respective business lines and supporting units, which includes ensuring they have adequate systems and tools for effective risk management.

The **Asset-Liability Committee (ALCO)** is a management committee that is accountable for overseeing asset-liability strategies, which includes actively managing the balance sheet, overseeing capital and profitability management, and ensuring there is adequate funding and liquidity to support operations and growth.

The **Credit Committee** is a management committee that is accountable for approving Synergy's larger credit risk exposures.

The **Information Technology (IT) Governance Committee** is a management committee that is accountable for establishing and overseeing the credit union's IT strategic plan. This includes setting IT-related strategic and funding priorities based on future member needs, the lifecycle of our IT infrastructure and supporting applications, and providing maximum functionality and value to the business. The goal of the IT Governance Committee is to ensure Synergy's IT assets, and the IT assets of our service providers, are strategically aligned and integrated in such a way that our IT systems are secure, stable, and reliable.

Individual business lines and support units have ownership and accountability for the risk management processes relating to their functions. This includes identifying, assessing, managing and monitoring the risks within their units (with assistance from executive leadership).

The **Chief Risk Officer** is responsible to manage the overall ERM framework to ensure risk items, identified as needing action or attention, are discussed and dealt with in strategic or tactical plans.

The **Chief Financial Officer** is responsible to manage the overall financial operations of the credit union.

Internal audit is accountable for independently assessing the effectiveness of our risk management processes, practices, and internal controls by providing objective assurance on management's approach to controlling and managing risk.

RISK APPETITE

Risk appetite is the formalization of basic principles and statements that guide discussions on risk-reward tradeoffs. It provides a context to discuss risk and risk-related opportunities to determine whether they may be "on strategy" or "off strategy." Additionally, it facilitates a shared understanding of the over-arching risk philosophy to make appropriate risk decisions. Setting the risk appetite is dynamic and requires flexible processes, as well as the continuous review and guidance from both executive leadership and the Board. The Board of Directors reviews Synergy's risk appetite statement annually as part of its planning cycle. Key attributes of our risk appetite include the following basic business principles and statements:

- We offer core banking and advisory services and engage in business activities that will not put our long-term value at risk. Our preference is to pursue organic growth from opportunities in the communities we serve and within our trading area.
- We are committed to achieving high quality and sustainable financial results.
- We have a constructive and highly ethical culture led by an experienced management team committed to standards of sound business practice. Our reputation and brand is important and we will seek to avoid any situation or action that could jeopardize our reputation.
- We seek alliances and collaboration to create future efficiencies and opportunities.
- We take prudent risks to build and execute our business strategies to better serve our current and future members.
- We display careful and diligent management where all employees and directors understand our appetite for risk and consider the risk appetite in all operational and strategic decisions.

CREDIT RISK

Credit risk is the risk of loss arising from a member or counterparty's failure to meet the terms of any contract with the credit union or otherwise fail to perform as agreed. Credit risk is found in all activities where success depends on a counterparty, debt issuer or borrower performance. For derivatives, credit risk is the contract's replacement cost as opposed to its notional value.

CREDIT RISK OVERVIEW

Synergy's main source of credit risk exposure is held within our loan portfolio. The culture of our credit risk management reflects the unique combination of policies, practices, experience and management attitudes that support loan growth within our geographic markets. Underwriting standards are designed to ensure an appropriate balance of risk and return and are supported by established loan exposure limits in areas of demonstrated lending expertise. Our concentration of credit is measured against specified tolerance levels by industry sector and product type. In order to minimize potential loss given default, the vast majority of loans are secured by tangible collateral. This approach to managing credit risk has proven to be very effective, as demonstrated by Synergy's consistently lower than industry – and relatively stable – provision for credit losses and write-offs.

CREDIT RISK MANAGEMENT

We are committed to a number of important principles to manage our credit risk exposures, which includes:

- The clear communication of delegated lending authorities to employees engaged in the credit granting process, which is complemented by a defined approval process for loans in excess of those limits and includes making recommendations to the Credit Department or Credit Committee for credit adjudication.
- The clear communication of credit policies, guidelines and directives to all account managers, retail service centre managers, and region managers whose activities and responsibilities include credit granting and risk assessment.
- The appointment of qualified and experienced employees engaged in credit granting.
- The establishment of a standardized credit risk rating classification for all commercial and agricultural credits.
- The quarterly review of risk diversification by industry sector and the measurement and reporting of product category against assigned portfolio limits.
- The alignment of pricing of credit with risk to ensure an appropriate financial return.
- The balancing of loan growth targets without degrading the overall quality of the loan portfolio.
- The detailed and quarterly review of accounts rated less than satisfactory. These reviews include the completion of a watch list report recording accounts showing evidence of weaknesses, as well as an impaired loan report covering loans that show impairment to the point where a loss is probable.
- The independent reviews of credit evaluation, risk classification and credit management procedures by internal audit, which includes direct reporting of results to executive leadership, the CEO and the Audit Committee.

RESIDENTIAL MORTGAGE PORTFOLIO

In accordance with CUDGC guidelines, the Credit Union is required to provide additional credit disclosures regarding its residential mortgage portfolio. Synergy is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects Synergy's real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently Synergy only uses Canada Mortgage and Housing Corporation (CMHC) to provide mortgage default insurance.

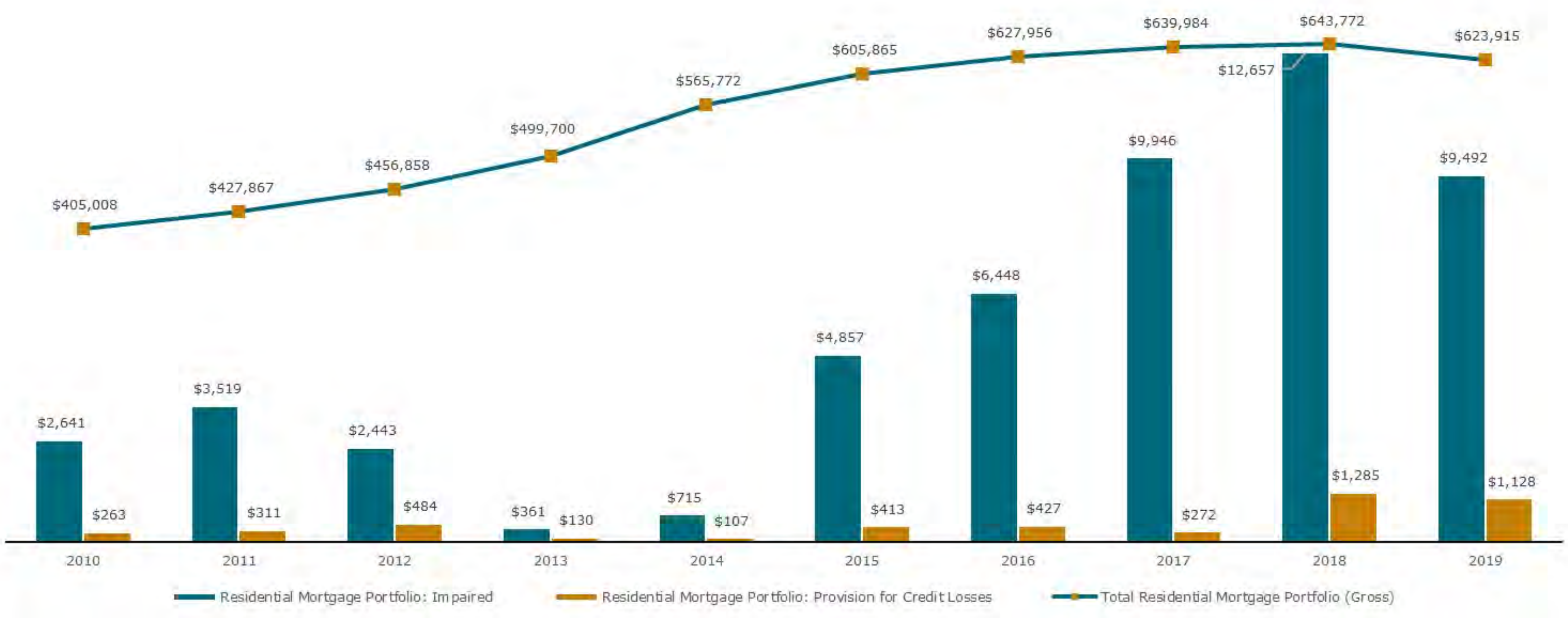
Synergy regularly performs stress tests to determine the impact of a significant decline in housing prices on the residential mortgage portfolio. The IFRS 9 accounting standard requires the use of expected loss model which calculates the shortfalls that would be incurred in various default scenarios and multiplies that by the probability of it occurring. Each quarter the outcomes are measured and applied to the portfolio.

The following charts are intended to provide: (1) a historical perspective of how Synergy's residential mortgage portfolio has performed through the 2015/16 economic downturn experienced in Saskatchewan and Alberta due to the collapse of oil prices, and (2) a breakdown of the current residential mortgage portfolio into insured mortgages, conventional uninsured mortgages, and uninsured HELOCs.

RESIDENTIAL MORTGAGE PORTFOLIO: A HISTORICAL PERSPECTIVE

Total residential mortgage portfolio represents the GROSS amounts of outstanding residential mortgages prior to any provision for credit losses being applied to impaired mortgages.

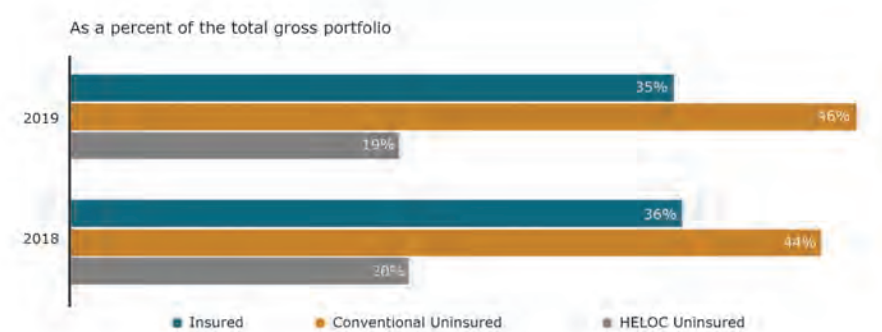
$ thousands



CURRENT STRUCTURE OF RESIDENTIAL MORTGAGE PORTFOLIO

As at December 31, 2019
$ thousands

Amortization Range	Insured	Uninsured	HELOC	TOTAL
Less than 10 years	6,399	16,250	8,735	31,384
10 - 15 years	16,622	28,197	24,257	69,076
15 - 20 years	89,157	92,001	38,236	219,394
20 - 25 years	105,823	146,653	48,187	300,663
Greater than 25 years	1,051	2,152	195	3,398
TOTAL	**219,052**	**285,253**	**119,610**	**623,915**



MARKET RISK

Market risk is the risk of loss arising from market factors such as interest rates, foreign exchange rates, equity or commodity prices, and credit spreads. Market risk includes:

- Interest rate risk resulting from movements in interest rates. It arises primarily from timing differences in the re-pricing of assets and liabilities, both on- and off-balance sheet, as they are contractually re-priced or mature
- Price risk resulting from changes in the market price of an asset or liability
- Foreign exchange risk resulting from movements in foreign exchange rates

MARKET RISK OVERVIEW

Market risk arises when making loans, taking deposits and making investments. Synergy does not undertake market activities such as market making, arbitrage or proprietary trading; therefore, the credit union does not have direct risks related to those activities. The most material market risks for Synergy are those related to changes in interest rates. Synergy has limited exposure to foreign exchange risk and considers its risk position to be immaterial.

INTEREST RATE RISK & MANAGEMENT

Interest rate risk arises from changes in interest rates that affect our net interest income. Exposure to this risk is what allows the credit union to make money on its loan and deposit portfolios. Synergy's earnings are affected by the monetary policies of the Bank of Canada. Monetary policy decisions have an impact on the level of interest rates, which can have an impact on earnings. Our objective is to earn an acceptable net interest income, without taking unreasonable risk, while striving to meet member needs and expectations.

To manage interest rate risk, ALCO works within policy guidelines for interest rate exposures and meets regularly to monitor the credit union's position and to decide on future strategy. The objective is to manage interest rate risk within prudent guidelines. Interest rate risk policies are reviewed by the Risk Committee and approved by the Board of Directors.

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods. Gap analysis is supplemented by computer simulation of the asset liability portfolio structure, duration analysis and dollar estimates of net interest income sensitivity for periods of up to one year.

The analysis in NOTE 19 *Financial Instrument Risk Management, Market Risk* in the financial statements is a static measurement of interest rate sensitivity gaps at a specific point in time. There is potential for these gaps to change significantly in a short period of time. The impact on earnings from changes in market interest rates will depend on both the magnitude of, and speed with which, interest rates change. It will also depend on the size and maturity structure of the cumulative interest rate gap position and the management of those positions over time. To the extent possible within the credit union's acceptable parameters for risk, the asset/liability position will continue to be managed in such a way that changing interest rates would generally have a marginal impact on net interest income.

It is management's intention to continue to manage the asset liability structure and interest rate sensitivity through pricing and product policies to attract the desired assets and liabilities, as well as through the use of interest rate swaps or other appropriate economic hedging techniques.

LIQUIDITY RISK

Liquidity risk is the risk that Synergy cannot meet a demand for cash or fund its financial obligations in a cost efficient or timely manner as they become due. Demand for cash can arise from withdrawals of deposits, debt maturities and commitments to provide credit. Liquidity risk also includes the risk of not being able to sell assets in a timely manner at a reasonable price.

LIQUIDITY RISK OVERVIEW

Synergy maintains a balanced, sound and prudent approach to managing its exposure to liquidity risk. There is a risk and reward trade-off between holding higher levels of liquid, low yielding assets such as SaskCentral term deposits and government bonds, or deploying these funds into less liquid, higher yielding assets, such as member loans. Through its Internal Capital Adequacy Assessment Program (ICAAP) and its liquidity management program, Synergy assesses and monitors its liquidity strategies and contingency plans under normal, slightly stressed and severe operating conditions that may be caused by either Synergy-specific or market-wide scenarios. The contingency planning and related liquidity and funding management strategies comprise an integrated liquidity risk management program designed to ensure Synergy maintains liquidity risks within an appropriate threshold.

Key liquidity risk principles include:

- Preserving and growing our reliable and stable base of retail depositors.
- Maintaining a flexible liquidity position to manage current and future growth requirements, while also contributing to the safety and soundness of the credit union.
- Maintaining an appropriate balance between the levels of liquidity Synergy holds and the corresponding costs of liquidity risk mitigation that considers the potential impact of extreme, but plausible, liquidity stress events.
- Maintaining a comprehensive liquidity contingency plan that is supported by a pool of saleable assets that can provide access to liquidity in a crisis.

LIQUIDITY RISK MANAGEMENT

Synergy has comprehensive Asset Liability Management policies that cover key aspects of liquidity risk management. The key elements of managing liquidity risk include the following:

- *Policies.* Liquidity risk management policies establish targets for minimum liquidity, set the monitoring regime, and define authority levels and responsibilities. Policies are reviewed by the ALCO and the Risk Committee and are approved by the Board of Directors. Acceptable thresholds for liquidity risk are established by the setting of limits.
- *Monitoring.* Trends and behaviours regarding how members manage their deposits and loans are monitored to determine appropriate liquidity levels. Active monitoring of the external environment is performed using a wide range of sources and economic barometers.
- *Measurement and modeling.* Synergy's liquidity model measures and forecasts cash inflows and outflows, including any cash flows related to applicable off-balance sheet activities over various risk scenarios.
- *Stress testing.* Synergy performs liquidity stress testing on a regular basis, including the CUDGC prescribed Liquidity Coverage Ratio (LCR) stress test as detailed in NOTE 19 *Financial Instrument Risk Management, Liquidity Risk* to evaluate the potential effect of both industry (macro) and Synergy-specific (micro) disruptions on the credit union's liquidity position. Stress test results are reviewed by the ALCO and are considered in making liquidity management decisions. Liquidity stress testing has many purposes, including, but not limited to:
    - Assisting the Board and executive leadership in understanding the potential behaviour of various positions on the credit union's balance sheet in circumstances of stress.
    - Facilitating the development of effective risk mitigation and contingency plans.
- *Contingency planning.* A liquidity contingency plan is developed and maintained specifying the desired approaches for analyzing and responding to actual and potential liquidity events. The plan outlines an appropriate team structure for the management and monitoring of liquidity events. Additionally, the plan indicates processes for effective internal and external communication and identifies potential countermeasures to be considered at various stages of an event.
- *Funding diversification.* Synergy actively monitors and manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. Supplementary funding sources include securitization, whole loan sales, and utilization of the credit facilities provided by SaskCentral and Concentra Bank.
- *Statutory liquidity.* SaskCentral, who serves as the provincial liquidity manager for Saskatchewan credit unions, requires Synergy to maintain a minimum of 10% of its liabilities on deposit with SaskCentral. Statutory liquidity requirements are calculated on a quarterly basis. SaskCentral is an integral partner in Synergy's liquidity risk management program and we are actively collaborating with SaskCentral to ensure our liquidity stress testing and contingency plans are both aligned and coordinated.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems from either internal or external sources. Operating a complex financial institution exposes Synergy to a broad range of operational risks, including failed transaction processing, documentation errors, information breaches, technology failures, business disruption, theft and fraud, workplace injury, and damage to physical assets. A subset of operational risk is people risk, which is the risk that Synergy is not able to retain and attract sufficient qualified resources to implement its strategies and/or achieve its objectives.

OPERATIONAL RISK OVERVIEW

Operational risk is inherent in all business activities. It is embedded in processes that support the management of other risks, such as credit, liquidity, market, capital and reputational risk. Its impact can be financial loss, loss of reputation, loss of competitive position, regulatory penalties, or failure in the management of other risks, such as credit or liquidity risk. Synergy is exposed to operational risk from internal business activities, external threats and outsourced business activities. While operational risk cannot be completely eliminated, proactive operational risk management is a key strategy to mitigate this risk.

The primary financial measure of operational risk is actual losses incurred. Synergy has not incurred any material losses related to operational risks in 2018 or 2019. Based on the Basel III regulatory framework, CUDGC requires Synergy to allocate a predetermined amount of capital to provide coverage for potential operational risks. The operational risk capital charge is 15% of average gross net interest income and gross non-interest income for the previous three years. Based on this formula, Synergy has allocated $6.68 million in capital as of December 31, 2019, to cover operational risks (2018 - $6.7 million).

OPERATIONAL RISK MANAGEMENT

Synergy's individual business and support areas are fully accountable for the management and control of operational risks. Strategies and factors that assist with the effective management of operational risk include, but are not necessarily limited to:

- Recruiting and retaining a knowledgeable and experienced management team committed to sound management practices and the promotion of a highly ethical culture.
- Providing strong leadership that supports and clearly communicates effective risk management practices and encourages employees to report incidents of operational risk failures, breaches, and potential losses to senior managers in a prompt and timely manner.
- Developing organizational surveys on employee engagement and Synergy's desired constructive corporate culture.
- Emphasizing the importance of effective risk management to all levels through a combination of training, coaching, and policy implementation.

Key practices to monitor, assess and manage operational risks include:

- Monitoring losses to maintain awareness of identified operational risks and to assist management in taking constructive action to reduce exposures to future losses.
- Implementing policies and procedural controls appropriate to address the identified risks, including segregation of duties, dual custody, and other checks and balances.
- Enhancing fraud prevention processes and policies on an ongoing basis.
- Establishing "whistleblower" processes and an employee code of conduct.
- Developing human resource policies and processes to ensure employees are adequately trained in the tasks for which they are responsible.
- Incorporating automated systems with built-in controls through the use of technology.
- Developing ongoing succession planning.

LEGAL AND REGULATORY RISK

Legal and regulatory risk represents the negative impact to business activities, earnings or capital, regulatory relationships or reputation as a result of a failure to comply - or adapt to - current and changing regulations, laws, industry codes, regulatory expectations or ethical standards.

LEGAL AND REGULATORY RISK OVERVIEW

The financial services industry is one of the most closely regulated industries, and the management of a financial services business, such as ours, is expected to meet high standards in all business dealings and transactions. As a result, we are exposed to legal and regulatory risk in virtually all of our activities.

Failure to meet our requirements not only poses a risk of censure or penalty, and may lead to litigation, but it also puts our reputation at risk. Financial penalties, unfavorable judicial judgments, costs associated with legal proceedings or regulatory sanctions can adversely affect our earnings and constrain our strategic business decisions. Legal and regulatory risk differs from other risks, such as credit risk or market risk, in that it is typically not a risk actively or deliberately assumed with the expectation of a return. It occurs as part of the normal course of operating our business.

Over the past several years, the intensity of supervisory oversight of all Canadian financial institutions has increased significantly in terms of new regulatory standards. This includes amplified supervisory activities, an increase in the volume of regulation, more frequent data and information requests from regulators, and shorter implementation time frames for regulatory requirements, including the Basel III capital and liquidity standards. Certain regulations, specific to Saskatchewan credit unions, may also impact Synergy's ability to compete against federally regulated financial institutions, other non-Saskatchewan provincially regulated financial institutions, and government-based financial institutions such as ATB Financial, Farm Credit Canada, and the Business Development Bank of Canada.

Effective management of regulatory risk and compliance in the current environment requires considerable internal resources and the active involvement of executive leadership. Notwithstanding the additional resources, the volume, pace and implementation of new and amended regulations and standards increases the risk of unintended non-compliance.

OTHER RISK FACTORS

In addition to the risks previously described, other risk factors, including those which follow, may adversely affect Synergy's business, its financial condition and its earnings estimates.

GENERAL BUSINESS AND ECONOMIC CONDITIONS

Synergy's earnings are largely impacted by the general business and economic conditions of Saskatchewan and Alberta. Several factors that could impact general business and economic conditions in the credit union's core markets include, but are not limited to: changes to energy and other commodity prices; inflation; exchange rates; levels of consumer, business and government spending; levels of consumer, business and government debt; consumer confidence; real estate prices; and, adverse global economic events and/or elevated economic uncertainties.

LEVEL OF COMPETITION

Synergy's performance is impacted by the intensity of competition in the markets in which we operate, where online competitors could increase the competitive environment as well. Synergy operates in highly competitive markets and member retention may be influenced by many factors, including relative service levels, the prices and attributes of products and services, changes in products and services, and the actions taken by competitors.

ACCURACY OF INFORMATION

Synergy depends on the accuracy and completeness of information about members and counterparties. In deciding whether to extend credit or enter into other transactions with members and counterparties, Synergy may rely on information furnished by them, including financial statements, appraisals, external credit ratings and other financial information. Synergy may also rely on the representations of members and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on the reports of auditors. Synergy's financial condition and earnings could be negatively impacted to the extent it relies on financial statements that do not comply with standard accounting practices, that are materially misleading, or that do not fairly present (in all material respects) the financial condition and results of operations of members or counterparties.

ABILITY TO ATTRACT AND RETAIN EMPLOYEES

Competition for qualified employees is intense, reflecting the recruitment needs of other companies in our local markets, as well as those in Saskatchewan and Alberta in general. The goal for Synergy is to continually retain and attract qualified employees who fit within our desired constructive corporate culture, but there is no assurance Synergy will be able to continue to do so.

INFORMATION SYSTEMS AND TECHNOLOGY

Synergy is highly dependent upon information technology and supporting infrastructure, such as voice, data and network access. Various third parties provide key components of the infrastructure and applications. Disruptions in the credit union's information technology and infrastructure, whether attributed to internal or external factors, including potential disruptions in the services provided by various third parties, could adversely affect the ability of Synergy to conduct regular business and/or deliver products and services to members. In addition, Synergy currently has a number of significant technology projects underway, which further increases risk exposures related to information systems and technology.

ADEQUACY OF OUR ERM FRAMEWORK

Our ERM framework is made up of various processes and strategies for managing risk exposure. Given our current business structure and the scope of our operations, Synergy is primarily subject to credit, market (mainly interest rate), liquidity, operational, legal, regulatory, and strategic risks. There can be no assurance that the framework to manage risks, including the framework's underlying assumptions and models, will be effective under all conditions and circumstances. If the risk management framework proves ineffective, the credit union could be materially affected by unexpected financial losses and/or other harm.

CHANGES IN ACCOUNTING STANDARDS

The International Accounting Standards Board continues to change the financial accounting and reporting standards that govern the preparation of Synergy's financial statements. These types of changes can be significant and may materially impact how Synergy records and reports its financial condition and results of operations.

OTHER FACTORS

Synergy's management cautions the above discussion of risk factors is not exhaustive. Other factors beyond Synergy's control that may affect future results include changes in tax laws, technological changes, unexpected changes in membership spending and savings habits, timely development and introduction of new products and services and the anticipation of, and success in, managing the associated risks.

2019 FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Synergy Credit Union Ltd.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are comprised entirely of directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Glenn Stang
Chief Executive Officer

Christine Tucker
Chief Financial Officer

March 9, 2020
Lloydminster, Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To the Members of Synergy Credit Union Ltd.:

Opinion

We have audited the financial statements of Synergy Credit Union Ltd. (the "Credit Union"), which comprise the statement of financial position as at December 31, 2019, and the statements of comprehensive income, changes in equity and cash flows, and the related schedule for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Credit Union 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 included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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 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. 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. 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 International Financial Reporting Standards, 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 Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 generally accepted auditing standards, 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 Credit Union'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 Credit Union'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 Credit Union 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.

MNP LLP

Chartered Professional Accountants

March 9, 2020
Saskatoon, Saskatchewan

STATEMENT OF FINANCIAL POSITION

As at December 31

($ thousands)	NOTE	2019	2018
ASSETS			
Cash and cash equivalents	5	67,551	39,746
Investments	6	172,739	158,250
Loans	7	1,139,903	1,146,877
Foreclosed property		1,693	2,351
Other receivables		452	187
Other assets		3,150	1,546
Derivative financial assets	19	180	1,019
Property, plant and equipment	8	33,807	34,277
Intangible assets	9	390	450
Deferred income tax assets	15	1,750	2,067
		1,421,615	**1,386,770**
LIABILITIES			
Deposits	10	1,232,038	1,193,993
Loans payable	11	42,203	50,157
Other liabilities	12	5,235	8,348
Member capital			
Membership shares	13	32,436	32,027
Allocation payable to members	13	2,703	2,485
		1,314,615	**1,287,010**
EQUITY			
Retained earnings		107,000	99,760
		107,000	99,760
		1,421,615	**1,386,770**

On behalf of the Board of Directors:

Don Wheler, Chair
Board of Directors

Dean Walde, Chair
Audit Committee

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

($ thousands)	NOTE	2019	2018
INTEREST INCOME			
Loans		49,511	48,293
Investments		5,294	5,489
Settlements on interest rate derivatives	19	451	792
		55,256	54,574
INTEREST EXPENSE			
Deposits		18,398	14,657
Loans payable		1,056	1,387
		19,454	16,044
NET INTEREST INCOME		**35,802**	**38,530**
Provision for (recovery of) credit losses	7	(837)	4,064
NET INTEREST MARGIN		**36,639**	**34,466**
NON-INTEREST INCOME (EXPENSE)			
Unrealized gains (losses) on investments		(353)	99
Losses on derivatives		(540)	(1,270)
Losses on foreclosed property		(910)	(116)
Other revenue	14	9,008	9,062
		7,205	7,775
NON-INTEREST EXPENSES (Schedule 1)			
Personnel		18,599	18,344
Occupancy		3,400	3,274
Member security		1,081	1,067
General business		8,131	7,858
Organization		472	515
		31,683	31,058
INCOME BEFORE ALLOCATIONS AND INCOME TAX		**12,161**	**11,183**
Patronage allocation		2,703	2,449
Income tax expense	15	2,218	1,901
COMPREHENSIVE INCOME FOR THE YEAR		**7,240**	**6,833**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

($ thousands)	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2017	**96,135**	**(122)**	**96,013**
IFRS 9 transition adjustments	(3,208)	122	(3,086)
Comprehensive income	6,833	-	6,833
Balance at December 31, 2018	**99,760**	**-**	**99,760**
Comprehensive income	7,240	-	7,240
Balance at December 31, 2019	**107,000**	**-**	**107,000**

STATEMENT OF CASH FLOWS

For the years ended December 31

($ thousands)	2019	2018
OPERATING ACTIVITIES		
Loan interest received	49,864	48,809
Investment interest received	4,791	4,192
Dividends received	850	1,976
Non-interest revenue received	8,962	10,566
Interest paid	(17,554)	(14,249)
Patronage paid to members	(2,485)	(2,863)
Payments to vendors and employees	(36,300)	(26,448)
Income taxes paid	(1,901)	(2,128)
Net decrease (increase) in loans and foreclosed property	9,168	(37,155)
Net increase in deposits	36,144	6,954
Net cash from (used in) operating activities	**51,539**	**(10,346)**
INVESTING ACTIVITIES		
Property, plant and equipment and intangible assets purchased	(1,788)	(1,171)
Purchases of investments	(15,668)	(3,278)
Proceeds on sale and maturities of investments	1,282	778
Net cash used in investing activities	**(16,174)**	**(3,671)**
FINANCING ACTIVITIES		
Membership shares redeemed and distributions (net)	394	(399)
Proceeds from loan securitizations	8,321	19,528
Repayment of securitization liabilities	(16,275)	(38,176)
Net cash used in financing activities	**(7,560)**	**(19,047)**
Increase (decrease) in cash and cash equivalents	27,805	(33,064)
Cash and cash equivalents, beginning of year	39,746	72,810
Cash and cash equivalents, end of year	**67,551**	**39,746**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

($ thousands)

1. REPORTING ENTITY

Synergy Credit Union Ltd. (the Credit Union) was continued pursuant to *The Credit Union Act 1998* of the Province of Saskatchewan, and operates ten Credit Union branches. The Credit Union serves members in Lloydminster, Kindersley and surrounding areas. The address of the Credit Union's registered office is 4907 50 Street, Lloydminster, Saskatchewan.

In accordance with *The Credit Union Act 1998*, Credit Union Deposit Guarantee Corporation (CUDGC), a provincial corporation, guarantees the full repayment of all deposits held in Saskatchewan credit unions, including accrued interest.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors and authorized for issue on March 9, 2020.

2. CHANGE IN ACCOUNTING POLICIES

The Credit Union adopted amendments to the following standards, effective January 1, 2019. Adoption of these amendments had no effect on the Credit Union's financial statements.

- IFRS 9 *Financial instruments*
- IFRIC 23 *Uncertainty over income tax treatments*

IFRS 16 Leases

Effective January 1, 2019 (hereafter referred to as the "date of initial application"), the Credit Union adopted IFRS 16 *Leases* as issued by the IASB in January 2016. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Transition

The Credit Union applied the changes in the accounting policies from IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16 recognized as an adjustment to the opening balance of retained earnings at January 1, 2019. The comparative information contained within these financial statements has not been restated and continues to be reported under previous lease standards. The application of the standard has resulted in a change in the Credit Union's accounting policy for recognition of leases. See Note 4 for details on the Credit Union's lease policies.

Initial application of IFRS 16

There was no material impact on the financial statements from the retrospective application of IFRS 16 *Leases*.

3. BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

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

Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in comprehensive income in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. BASIS OF PREPARATION (Continued)

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the Credit Union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail customers do not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Impairment of financial assets

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates, industrial restructuring and other economic circumstances
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument and overdue status
- Credit scores for regions or demographics
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about:

- prepayments,
- the timing and extent of missed payments or default events.

In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the Credit Union develops a number of assumptions as follows:

- The period over which the Credit Union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash short falls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The Credit Union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to Value ratios
- Housing price indices

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The Credit Union uses judgment to weight these scenarios.

Fair value of unquoted equity instruments

The Credit Union has assessed that the fair values of its unquoted equity instruments, SaskCentral shares and Concentra Bank shares approximates its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold and new shares are issued at par value of all currently held shares.

3. BASIS OF PREPARATION (Continued)

Deferred income taxes

The calculation of deferred income tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred income tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Income taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Impairment of non-financial assets

At each reporting date, the Credit Union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Useful lives of property, plant, equipment and intangible assets

Estimates must be utilized in evaluating the useful lives of all property, plant, equipment and intangible assets for calculation of the depreciation or amortization for each class of assets.

Securitization de-recognition

The determination of whether the Credit Union's securitization arrangements qualify for de-recognition requires management judgment on the evaluation of the criteria for de-recognition.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements have been summarized below. These accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the Credit Union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in comprehensive income for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in comprehensive income.

Revenue recognition

The following describes the Credit Union's principal activities from which it generates revenue.

Services charge fees, commission and other revenue

The Credit Union generates revenue from the Credit Union providing financial services to its members. Revenue is recognized as services are rendered. The Credit Union does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold. The amount of revenue recognized on these transactions is based on the price specified in the contract.

The Credit Union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

payment by the member exceeds one year. Consequently, the Credit Union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 is included in the financial instruments section of Note 4.

Financial instruments

Financial assets

Recognition and initial measurement

The Credit Union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

The Credit Union recognizes and de-recognizes purchases and sales of financial assets on the trade date, which is the date that the Credit Union commits to selling or purchasing the financial asset. Interest is not accrued on the asset and corresponding liability until the settlement date when title of the financial asset passes.

Classification and subsequent measurement

On initial recognition, financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Credit Union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Debt instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and de-recognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash equivalents, accounts receivable, loans, and certain investments held.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon de-recognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Credit Union does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash, and derivative financial assets (which are interest rate swaps).
- Designated at fair value through profit or loss – On initial recognition, the Credit Union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Credit Union does not hold any financial assets designated to be measured at fair value through profit or loss.

The Credit Union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of investment funds, preferred shares, and shares in SaskCentral and Concentra Bank.

Business model assessment

The Credit Union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how performance of the portfolio is evaluated and risks affecting the performance of the business model.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest, on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Credit Union considers factors that would alter the timing and amount of cash flows such as, prepayment and extension features, terms that might limit the Credit Union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The Credit Union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Credit Union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the Credit Union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of, applying the Credit Union's accounting policies for impairment of financial assets.

For financial assets, the Credit Union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Credit Union assessed that a significant increase in credit risk has occurred, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union applies the simplified approach for accounts receivable. Using the simplified approach, the Credit Union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Credit Union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Credit Union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial asset; and
- For loan commitments and financial guarantee contracts, as a provision; and
- For facilities with both a drawn and undrawn component where the Credit Union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

Financial assets are written off when the Credit Union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 19 for additional information about the Credit Union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

De-recognition of financial assets

The Credit Union applies its accounting policies for de-recognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the Credit Union applies its accounting policies for de-recognition of a financial asset to the entirety of a financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Credit Union de-recognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Credit Union either:

- Transfers the right to receive the contractual cash flows of the financial asset, or;
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Credit Union retains the risks and rewards of ownership. When the Credit Union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

The Credit Union engages in certain securitization transactions resulting in transfers not qualifying for de-recognition, where substantially all risks and rewards of ownership have been retained. For these transactions, the transferred asset continues to be recognized in its entirety and a financial liability is recognized for the consideration received. Income on the transferred asset and expenses incurred on the financial liability are recognized in subsequent periods.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Credit Union de-recognizes the financial asset. At the same time, the Credit Union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss. Such transactions include syndication transactions resulting in transfers qualifying for de-recognition.

Modification of financial assets

The Credit Union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the Credit Union’s de-recognition policy. The Credit Union considers the following circumstances as an expiry of its contractual rights to the cash flows from an asset: changes to the present value of contractual cash flows of the original asset exceeding 10% (i.e. the Credit Union applies the guidance for modification of a financial liability by analogy), or substantial changes to the risk exposures arising from the financial asset.

When the modifications do not result in de-recognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset’s original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the Credit Union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

Financial liabilities

Recognition and initial measurement

The Credit Union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Credit Union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

The following financial liabilities are measured at fair value through profit or loss:

- Derivative liabilities (interest rate swaps)

In addition, on initial recognition the Credit Union may irrevocably designate certain financial liabilities to be measured at fair value through profit or loss in the following circumstances:

- The designation eliminates or significantly reduces an accounting mismatch
- A group of financial liabilities or financial liabilities and financial assets is managed and its performance evaluated on a fair value basis
- The financial liability is a host contract containing one or more embedded derivatives

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the carrying amount of these financial liabilities are recognized in profit or loss. Where the Credit Union has designated a financial liability at fair value through profit or loss, the change in fair value of the financial liability attributable to the Credit Union's own credit risk is presented in other comprehensive income, except where doing so creates or enlarges an accounting mismatch. Those amounts recorded in other comprehensive income are not subsequently reclassified to profit or loss.

Financial liabilities measured at fair value through profit or loss include derivative liabilities (interest rate swaps).

When the transfer of a financial asset does not qualify for de-recognition because the Credit Union has retained substantially all of the risks and rewards of ownership, a liability is recognized for the consideration received. Subsequently, any expense incurred on the financial liability is recognized in profit or loss.

All other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized include deposits, loans payable, other liabilities, and member capital.

Financial liabilities are not reclassified subsequent to initial recognition.

De-recognition of financial liabilities

The Credit Union de-recognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Derivatives

Derivatives are initially recognized at fair value on the date the Credit Union becomes party to the provisions of the contract and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognized in profit or loss.

Dividend income

Dividend income is recorded in profit or loss when the Credit Union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Credit Union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired, subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Collateral

The Credit Union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the Credit Union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, de-recognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

are shown net of bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management system.

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Impairment of non-financial assets

At the end of each reporting period, the Credit Union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating units (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Securitization

The Credit Union securitizes loan assets, generally through the sale of these assets to third parties. As the Credit Union remains exposed to residual risk and reward through the retention of items such as servicing requirements and the right to excess spread, these assets have not been de-recognized, as the de-recognition criteria have not been met and they continue to be reported on the statement of financial position. The residual risks associated with these assets are mitigated by the Credit Union's risk policies.

Syndication

The Credit Union syndicates individual assets with various other financial institutions primarily to manage credit risk, create liquidity and manage regulatory capital for the Credit Union. Syndicated loans transfer substantially all the risks and rewards related to the transferred financial assets and are de-recognized from the Credit Union's statement of financial position. All loans syndicated by the Credit Union are on a fully serviced basis. The Credit Union receives fee income for services provided in the servicing of the transferred financial assets.

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and fair value less costs to sell. Cost comprises the balance of the loan at the date on which the Credit Union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

Buildings and improvements	5 to 40 years
Furniture and equipment	3 to 20 years
Automotive	5 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Gains or losses on the disposal of property, plant and equipment will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Intangible assets

Computer software

The Credit Union's only intangible asset is computer software which is amortized to comprehensive income on a straight-line basis over its estimated useful life of 3 - 10 years. The useful life of computer software will be reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Income taxes

The Credit Union accounts for income taxes using the asset and liability method. Current and deferred taxes are recognized in comprehensive income except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination. Under this method, the provision for income taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allows the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Leases – Policy applicable before January 1, 2019

A lease that transfers substantially all of the benefits and risks of ownership is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value at inception of the lease. Assets under finance leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Leases – Policy applicable from January 1, 2019

The Credit Union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Credit Union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Where the Credit Union is a lessee in a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the Credit Union, and an estimate of the costs to be incurred by the Credit Union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Credit Union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Credit Union expects that the ownership of the underlying asset will transfer to the Credit Union by the end of the lease term or if the cost of the right-of-use asset reflects that the Credit Union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the Credit Union under a residual value guarantee, the exercise price of a purchase option that the Credit Union is reasonably certain to exercise, and payment of penalties for terminating the lease if the lease term reflects the Credit Union exercising an option to terminate the lease. After the commencement date, the Credit Union measures the lease liability at amortized cost using the effective interest method.

The Credit Union remeasures the lease liability when there is a change in the lease term, a change in the Credit Union's assessment of an option to purchase the underlying asset, a change in the Credit Union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Credit Union has elected to not recognize right-of-use assets and lease liabilities for short-term leases and low value leases. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of $5,000 USD or less. The Credit Union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee’s benefit.

Employee benefits

The Credit Union’s post employment benefit programs consist of a defined contribution plan. Credit Union contributions to the defined contribution plan are expensed as incurred.

Membership shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, such as property, plant and equipment and intangible assets, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Credit Union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2019 but are not yet effective. Unless otherwise stated, the Credit Union does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 3 Business Combinations

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Credit Union does not expect the amendments to have a material impact on its financial statements.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Credit Union has not yet determined the impact of these amendments on its financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Credit Union has not yet determined the impact of these amendments on its financial statements.

5. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand	3,276	3,413
Deposits on demand	64,275	36,333
	67,551	**39,746**

On December 31, 2019 Synergy Credit Union had $0 (2018 - $889) owing on the line of credit with SaskCentral.

6. INVESTMENTS

	2019	2018
Amortized Cost		
SaskCentral liquidity deposits	47,515	44,015
SaskCentral liquidity term deposits	77,486	77,486
Non-redeemable term deposits	25,000	15,000
Marketable bonds	2,587	2,716
Accrued interest	472	364
Total amortized cost investments	**153,060**	**139,581**
Fair Value Through Profit Loss (FVTPL)		
SaskCentral shares	9,050	9,050
Concentra Bank shares	7,500	7,500
Investment funds	3,055	1,540
Preferred shares	13	513
Accrued interest	61	66
Total fair value through profit loss (FVTPL)	**19,679**	**18,669**
Total investments	**172,739**	**158,250**

Pursuant to Regulation 18(1)(a) of *The Credit Union Regulations, 1999*, Credit Union Central of Saskatchewan (SaskCentral) requires the Credit Union maintain 10% of its liabilities using a prescribed formula in specified liquidity deposits with SaskCentral. CUDGC requires the Credit Union adhere to these prescribed statutory liquidity deposit requirements. As of December 31, 2019 and 2018, the Credit Union met the requirements.

SaskCentral is owned by Saskatchewan credit unions acting as their liquidity manager and key consulting service provider. SaskCentral maintains business relationships with, and invests in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank, Credit Union Payment Services (CUPS), CU CUMIS Wealth Holdings LP (CUC Wealth) and Celero Solutions. SaskCentral holds 84.0% of the voting common shares of Concentra Bank.

7. LOANS

	2019				
	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	105,339	2,128	-	(16)	107,451
Commercial	130,923	1,627	(299)	(1,674)	130,577
Residential	614,423	9,492	(1,128)	(450)	622,337
Consumer loans	136,056	2,668	(2,025)	(2,160)	134,539
Business loans	140,402	2,850	(1,020)	(920)	141,312
Accrued interest	3,065	622	-	-	3,687
Total loans	**1,130,208**	**19,387**	**(4,472)**	**(5,220)**	**1,139,903**

	2018				
	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	99,193	273	(176)	(17)	99,273
Commercial	131,521	1,110	(83)	(1,789)	130,759
Residential	631,115	12,657	(1,285)	(653)	641,834
Consumer loans	134,486	3,247	(2,042)	(2,165)	133,526
Business loans	137,575	3,355	(1,875)	(1,291)	137,764
Accrued interest	3,155	566	-	-	3,721
Total loans	**1,137,045**	**21,208**	**(5,461)**	**(5,915)**	**1,146,877**

Included in the above balances are securitized residential mortgages amounting to $42,526 (2018 - $50,566). These residential mortgages have been pledged as collateral for secured borrowings of $42,203 (2018 - $50,157).

Changes in Allowance for Credit Losses

	2019	2018
Balance at beginning of year	11,376	4,598
IFRS 9 transition adjustments	-	5,021
Impairment losses (recoveries) recognized	(837)	4,064
Amounts written-off	(847)	(2,307)
Balance at end of year	**9,692**	**11,376**

Of the total allowance for credit losses of $9,692 (2018 – $11,376), $4,472 (2018 – $5,461) is a specific provision and $5,220 (2018 – $5,915) is a collective provision.

Loans Past Due but not Impaired

A loan is considered past due when a payment had not been received by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired as at December 31, are as follows:

	2019			
	1 to 59 days	60 to 90 days	More than 90 days	Total all days
Mortgages				
Agriculture	2,954	870	-	3,824
Commercial	3,184	6,434	-	9,618
Residential	19,932	3,812	-	23,744
Consumer loans	4,661	964	-	5,625
Business loans	3,149	460	-	3,609
Total loans	**33,880**	**12,540**	**-**	**46,420**

	2018			
	1 to 59 days	60 to 90 days	More than 90 days	Total all days
Mortgages				
Agriculture	4,030	112	-	4,142
Commercial	1,428	2,655	-	4,083
Residential	17,405	2,357	-	19,762
Consumer loans	3,074	251	-	3,325
Business loans	2,118	486	-	2,604
Total loans	**28,055**	**5,861**	**-**	**33,916**

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2017	6,493	36,155	9,749	169	52,566
Additions	-	691	181	-	872
Disposals	-	-	(1,417)	-	(1,417)
Balance at December 31, 2018	6,493	36,846	8,513	169	52,021
Additions	-	1,074	513	73	1,660
Disposals	-	-	(863)	(103)	(966)
Balance at December 31, 2019	**6,493**	**37,920**	**8,163**	**139**	**52,715**

Accumulated depreciation	Land	Building and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2017	-	10,786	6,125	155	17,066
Depreciation	-	1,383	686	12	2,081
Disposals	-	-	(1,403)	-	(1,403)
Balance at December 31, 2018	-	12,169	5,408	167	17,744
Depreciation	-	1,531	611	15	2,157
Disposals	-	-	(890)	(103)	(993)
Balance at December 31, 2019	**-**	**13,700**	**5,129**	**79**	**18,908**

Net book value	Land	Building and improvements	Furniture and equipment	Automotive	Total
At December 31, 2018	6,493	24,677	3,105	2	34,277
At December 31, 2019	**6,493**	**24,220**	**3,034**	**60**	**33,807**

9. INTANGIBLE ASSETS

Cost	Purchased software
Balance at December 31, 2017	2,837
Additions	299
Disposals	(57)
Balance at December 31, 2018	3,079
Additions	127
Disposals	(624)
Balance at December 31, 2019	**2,582**
Accumulated amortization	
Balance at December 31, 2017	2,481
Amortization	204
Disposals	(56)
Balance at December 31, 2018	2,629
Amortization	174
Disposals	(611)
Balance at December 31, 2019	**2,192**
Net book value	
At December 31, 2018	450
At December 31, 2019	**390**

10. DEPOSITS

	2019	**2018**
Demand deposits	673,938	687,780
Term deposits	550,084	500,097
Accrued interest	8,016	6,116
	1,232,038	**1,193,993**

11. LOANS PAYABLE

	2019	**2018**
Financial liabilities from securitizations	42,203	50,157
	42,203	**50,157**

Financial Liabilities from Securitizations

During the year, the Credit Union securitized $8,321 (2018 - $19,528) in residential mortgages and recognized new related loans payable liabilities of $8,303 (2018 - $19,361). At December 31, 2019, the carrying amount of the secured borrowings was $42,526 (2018 - $50,566) with a weighted average interest rate of 1.90% (2018 – 1.88%). The Credit Union received the net differential between the monthly interest receipts of the assets and the interest expense on the secured borrowing. The exposure to variability of future interest income and expense has been incorporated into the interest rate sensitivity calculations as shown in Note 19.

SaskCentral

The Credit Union has an authorized line of credit bearing interest at prime less 0.50% in the amount of $8,000 (2018 - $8,000) from SaskCentral. Prime rate was 3.95% at December 31, 2019. At December 31, 2019 the Credit Union had $0 (2018 - $889) outstanding on this line of credit.

The Credit Union also has available through SaskCentral a commercial paper facility in the amount of $25,000 (2018 - $30,000). Under the program, the Credit Union may request drawings up to the established limit. The principal amount and interest are due on the maturity date of the commercial paper issued by SaskCentral. The interest rate payable is the commercial paper market term rate as established plus 0.375%. As of December 31, 2019 and 2018, the Credit Union had $0 drawn on this program, bearing nil interest. As at December 31, 2019 and 2018, the accrued interest on this commercial paper facility is $0.

All SaskCentral bank indebtedness agreements are secured by general security agreements registered against the assets of the Credit Union.

Concentra Bank

The Credit Union has a secured quick line (revolving credit facility) in the amount of $50,000 (2018- $50,000) from Concentra Bank. The intended purpose of the credit facility is to support the Credit Union’s liquidity needs in extending loans to members and to finance any other operating requirements.

At December 31, 2019 and 2018, the Credit Union had no balance outstanding on this credit facility. The credit facility is secured by residential mortgages equaling 110% of the credit limit insured by CMHC or Genworth Financial Corporation, as well as a second charge security interest against the assets of the Credit Union. The interest rate payable under the facility is the three-month CDOR rate plus 1.00% with an annual stand-by fee of 0.20% per annum.

12. OTHER LIABILITIES

	2019	2018
Accounts payable and accrued liabilities	4,939	8,037
Retained member capital for distribution	296	311
	5,235	**8,348**

The Credit Union contributes annually to a defined contribution pension plan for employees. The annual pension expense of $873 (2018 - $859) is included in personnel expenses.

13. MEMBERSHIP SHARES AND ALLOCATION PAYABLE

Membership shares, including member ProfitShares, are as provided for by *The Credit Union Act 1998* and administered according to the Credit Union's Bylaws, which set out the rights, privileges, restrictions and conditions.

The authorized share capital is unlimited in amount and consists of fully paid shares with a par value of $5 per share. These accounts are not guaranteed by CUDGC.

Membership share characteristics include freedom from mandatory charge and subordination to the rights of creditors and depositors.

	2019	2018
Balance, beginning of year Allocations to members	32,027	32,425
Interest rebate to borrowers	810	767
Bonus interest to investors	608	776
Share dividend	629	953
Redemptions on member accounts	(1,761)	(3,017)
Allocated membership shares	32,313	31,904
Other membership shares	123	123
Total membership shares	**32,436**	**32,027**

The Board of Directors declared a patronage allocation in the amount of $2,703 on December 31, 2019 (2018 - $2,485). The patronage allocation approved by the Board of Directors is based on the amount of loan interest paid, deposit interest earned, member rewards, and a dividend based on outstanding ProfitShare balances as of December 31, 2019.

	2019	2018
Interest rebate to borrowers	958	820
Bonus interest to investors	682	621
Member account rewards	414	408
Share dividend	649	636
	2,703	**2,485**

14. OTHER REVENUE

	2019	2018
Deposit fees and commissions	3,638	3,657
Wealth services	2,784	2,594
Insurance	1,319	1,372
Loan fees	695	664
Credit card	190	405
Lease	203	148
Other	179	222
	9,008	**9,062**

15. INCOME TAXES

	2019	2018
Income tax expense (recovery) is comprised of:		
Current income tax expense	1,901	2,051
Deferred income tax expense (recovery)	317	(150)
	2,218	**1,901**

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	2019	2018
Income before income taxes	9,458	8,734
Combined federal and provincial tax rate	27.00%	27.00%
Income tax expense at statutory rate	2,554	2,358
Adjusted for the net effect of:		
Non-deductible and other items	(141)	(128)
Credit union rate reduction	(195)	(329)
	2,218	**1,901**

15. INCOME TAXES (Continued)

Deferred income tax assets recognized are attributable to the following:

	2019	2018
Deferred income tax assets		
Property, plant and equipment	220	322
Loans	1,530	1,745
Deferred income tax assets	**1,750**	**2,067**

The Deferred income tax asset is expected to be recovered in more than twelve months from December 31, 2019.

16. CAPITAL MANAGEMENT

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC have been based on the Basel III framework, consistent with the financial industry in general.

The Credit Union follows the standardized approach to calculate risk-weighted assets for credit and operational risk. Under this approach, credit unions are required to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments.

Based on the prescribed risk of each type of asset, a weighting of 0% to 1250% is assigned. The ratio of regulatory capital to risk-weighted assets is calculated and compared to the standard outlined by CUDGC.

Tier 1 capital is defined as a Credit Union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirement for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity tier 1 (CET1) capital and additional tier 1 capital. CET1 capital includes retained earnings, contributed surplus, and AOCI. Deductions from CET1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own use property. Additional tier 1 capital consists of qualifying membership shares or other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 1 capital and are not included in common equity tier 1 capital.

At the current time, the Credit Union does not have any qualifying membership or investment shares that meet the criteria established for additional tier 1 capital.

Tier 2 capital includes a collective allowance for credit losses to a maximum of 1.25% of risk-weighted assets, subordinated indebtedness, and qualifying membership shares or other investment shares issued by the Credit Union that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require the Credit Union to maintain a minimum leverage ratio of 5%. This ratio is calculated by dividing eligible capital by total assets less certain deductions from capital plus specified off-balance sheet exposures. Based on the type of off-balance sheet exposure, a conversion factor is applied to the leverage ratio. All items deducted from capital are excluded from total assets.

The Credit Union has adopted a capital management framework that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors.

The following table compares CUDGC regulatory standards to the Credit Union's board policy for 2019:

	Regulatory standard	Board minimum
Eligible capital to risk-weighted assets	10.50%	12.50%
Tier 1 capital to risk-weighted assets	8.50%	9.50%
CET1 capital to risk-weighted assets	7.00%	9.50%
Leverage ratio	5.00%	6.00%

During the year ended December 31, 2019 and 2018, the Credit Union complied with all internal and external capital requirements.

16. CAPITAL MANAGEMENT (Continued)

Eligible Capital

	2019	2018
Risk-weighted assets	**807,173**	**789,303**
CETI capital comprises:		
Retained earnings	107,000	99,760
Deductions from common equity tier 1 capital:		
Intangible assets	(390)	(450)
Eligible CET1 capital	106,610	99,310
Additional tier 1 capital	-	-
Total eligible tier 1 capital	106,610	99,310
Tier 2 capital comprises:		
Membership capital	35,139	34,512
Collective allowance	5,220	5,915
Total tier 2 capital	40,359	40,427
Total eligible capital	**146,969**	**139,737**

Regulatory Capital Adequacy Ratios

	2019	2018
Total eligible capital to risk-weighted assets	18.21%	17.70%
Total tier 1 capital to risk-weighted assets	13.21%	12.58%
CET1 capital to risk-weighted assets	13.21%	12.58%
Leverage ratio	10.29%	10.02%

17. RELATED PARTY TRANSACTIONS

A related party exists when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other, or is a member, or close family member of a member, of the key management personnel of the Credit Union. Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties.

The Board's Audit Committee reviews and monitors all related party transactions for compliance with legislation, standards of sound business practice and with Credit Union's policies and procedures. The Committee is charged with ensuring that all proposed related party transactions are fair to the Credit Union and that the best judgment of the Credit Union has not been compromised as a result of real or perceived conflict of interest.

Related parties are defined in *The Credit Union Act 1998* and include all directors or senior officers of the Credit Union, their spouses, their children under the age of 18, or any entity in which the director, senior officer, their spouse, or their children under the age of 18 has a substantial or controlling interest.

Member Loans

The Credit Union, in accordance with its policy, grants loans to related parties at regular member rates or at preferred staff rates for senior officers. These loans are granted under the same lending policies applicable to other members. The Credit Union received interest from related parties in the amount of $371 (2018 - $404).

	2019	2018
Loans outstanding at January 1	11,592	7,319
Loans issued (repaid) during the year, net	(2,716)	4,273
	8,876	**11,592**

Deposit Accounts

Related parties may hold deposit accounts and have access to personal chequing accounts that do not incur service charges. Interest paid by the Credit Union to the related parties is $23 (2018 - $22).

	2019	2018
Deposits at January 1	4,171	5,040
Deposits received (repaid) during the year, net	(180)	(869)
	3,991	**4,171**

Ordinary course of Business Transactions

The Credit Union, in accordance with its policy and *The Credit Union Act 1998*, can enter into business transactions for the purchase of services with entities owned or significantly controlled by designated related parties. These transactions are in the Credit Union's ordinary course of business, are at market terms and conditions, and are reviewed and reported to the Audit Committee. The value of such services purchased by the Credit Union to entities owned or significantly controlled by designated related parties in 2019 was $13 (2018 - $60).

17. RELATED PARTY TRANSACTIONS (Continued)

Key Management Compensation

Key management persons (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly. Control is the power to govern the financial and operating policies of the Credit Union so as to obtain benefits from its activities. The KMP of the Credit Union includes the executive leadership team (ELT) and members of the board who held offices during the financial year. The ELT is comprised of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, and Chief Innovation & People Officer. Other key management personnel (OKMP) include the direct reports of Chief Operating Officer, as well as the Manager of Finance and Accounting, Manager of Human Resources, Manager of Governance and Manager of Internal Audit.

The aggregate compensation of KMP during the year, comprising amounts paid or payable, was as follows:

	2019	2018
Directors		
Salaries and other short-term benefits	178	148
Executive leadership team		
Salaries and other short-term benefits	1,323	1,337
Post-employment benefits	67	68
Other Key management personnel		
Salaries and other short-term benefits	1,097	1,076
Post-employment benefits	65	61
	2,730	**2,690**

In the above table, remunerations shown as salaries and other short-term benefits includes wages, salaries, statutory government contributions, paid annual leave and paid sick leave, performance-based incentive and the value of fringe benefits received, but excludes out-of-pocket expense reimbursements.

Members of the ELT receive a performance-based incentive in the form of variable compensation, which is included in salaries and other short-term benefits. Variable compensation is accrued in the fiscal year earned and paid in the following year. Figures in the above table represents the timing of when variable compensation amounts are accrued as a personnel expense as opposed to when they are paid. Variable compensation accrued for the ELT in 2019 is $266 (2018 - $276) and OKMP 2019 is $132 (2018 – $105). Travel and training costs to members of the board in 2019 were $53 (2018 - $61).

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Credit Union 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 values are determined where possible by reference to quoted bid or asking prices in an active market. In the absence of an active market, the Credit Union determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

The Credit Union classifies fair value measurements of financial instruments recognized in the statement of financial position using the following three-tier fair value hierarchy, which reflects the significance of the inputs used in measuring fair value as follows:

- *Level 1:* Quoted market prices (unadjusted) are available in active markets for identical assets or liabilities;
- *Level 2:* Fair value measurements are derived from inputs other than quoted prices that are included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- *Level 3:* Fair value measurements derived from valuation techniques that include significant unobservable inputs.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The following table summarizes the carrying amount and fair values of the Credit Union’s financial instruments.

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	2019				2018			
	Carrying amount	Fair value classifications Level 1	Level 2	Level 3	Carrying amount	Fair value classifications Level 1	Level 2	Level 3
FINANCIAL ASSETS – Recurring measurements								
Fair value through profit loss (FVTPL)								
Cash	3,276	-	3,276	-	3,413	-	3,413	-
SaskCentral shares	9,050	-	-	9,050	9,050	-	-	9,050
Concentra Bank shares	7,500	-	-	7,500	7,500	-	-	7,500
Investment funds	3,055	-	-	3,055	1,540	-	-	1,540
Preferred shares	13	-	-	13	513	-	-	513
Derivative financial assets	180	-	180	-	1,019	-	1,019	-
Total financial assets – recurring measurements	**23,074**	**-**	**3,456**	**19,618**	**23,035**	**-**	**4,432**	**18,603**
FINANCIAL ASSETS – Fair values disclosed								
Amortized cost								
Cash equivalents	64,275	-	64,275	-	36,333	-	36,333	-
SaskCentral liquidity term deposits	77,486	-	77,486	-	77,486	-	77,486	-
SaskCentral liquidity deposits	47,515	-	47,515	-	44,015	-	44,015	-
Non-redeemable term deposits	25,000	-	25,000	-	15,000	-	15,000	-
Marketable bonds	2,587	-	2,587	-	2,716	-	2,716	-
Loans	1,139,903	-	1,159,067	-	1,146,877	-	1,159,420	-
Other receivables	452	-	452	-	187	-	187	-
Total financial assets – fair values disclosed	**1,357,218**	**-**	**1,376,382**	**-**	**1,322,614**	**-**	**1,335,157**	**-**
FINANCIAL LIABILITIES – Fair values disclosed								
Other financial liabilities								
Deposits	1,232,038	-	1,237,692	-	1,193,993	-	1,191,393	-
Loans payable	42,203	-	42,913	-	50,157	-	51,596	-
Other liabilities	5,235	-	5,235	-	8,348	-	8,348	-
Member capital	35,139	-	-	35,139	34,512	-	-	34,512
Total financial liabilities – fair values disclosed	**1,314,615**	**-**	**1,285,840**	**35,139**	**1,287,010**	**-**	**1,251,337**	**34,512**

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Methods and Assumptions

- The fair values of short-term financial instruments including cash and cash equivalents, short-term investments, other receivables, other liabilities, and certain other assets and liabilities are approximately equal to their carrying values.
- Fair values of investments are based on quoted market prices, when available, or quoted market prices of similar investments.
- For variable interest rate loans that reprice frequently, fair values approximate carrying values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans.
- Carrying values approximate fair values for deposits with adjustable rates without specified maturity terms. Fair values for other deposits and loans payable with specified maturity terms are estimated using discounted cash flow calculations at market rates for similar deposits with similar terms.
- The fair values of derivative financial instruments are estimated by reference to the appropriate current market yields with matching terms to maturity. The fair values reflect the estimated amounts that the Credit Union would receive or pay to terminate the contracts at the reporting date.
- The interest rates used to discount estimated cash flows, when applicable, are based on interest rates for identical products as at the reporting date.
- All recurring Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.
- For fair value measurements of Level 3 SaskCentral and Concentra Bank shares for 2019, the Credit Union has assessed that the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year.

Changes in recurring measurement level 3 assets:

	2019	**2018**
Balance, beginning of year	18,603	18,415
Gains recognized in comprehensive income	56	537
Additions	2,168	460
Disposals	(1,209)	(809)
Balance, end of year	**19,618**	**18,603**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT

The nature of the Credit Union's financial instruments creates exposure to credit, liquidity and market risk. Management of these risks is established in policies and procedures determined by the Board of Directors. In addition, CUDGC establishes standards to which the Credit Union must comply.

Credit Risk

Credit risk is the risk of loss to the Credit Union if a customer or counterparty defaults on its contractual payment obligations. Credit risk may arise from loans and receivables and principal and interest amounts due on investments.

Credit risk is managed in accordance with a governing policy established by the Board of Directors. The Board of Directors has delegated responsibility for the management of credit risk to the CEO. The CEO has in turn delegated responsibility for management of credit risk within the loan portfolio to the Retail Division, and for management of credit risk within the investment and derivatives portfolio to the Finance Division.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The Credit Union considers loans and receivables to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the Credit Union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

the Credit Union's past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the Credit Union. These loans are considered stage 3 loans.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the Credit Union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers. These loans are considered stage 2 loans. The Credit Union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming. Loans that are not determined to be stage 2 or stage 3 loans are considered stage 1 loans.

When the contractual terms of a financial asset have been modified or renegotiated and the financial asset has not been de-recognized, the Credit Union assesses for significant increases in credit risk by consideration of its ability to collect interest and principal payments on the modified financial asset, the reason for the modifications, the borrower's payment performance compared to the modified contractual terms and whether such modifications increase the borrower's ability to meet its contractual obligations.

The Credit Union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its customers. Credit-impaired financial assets are typically placed on the Credit Union's watch list based on its internal credit risk policies. In making this assessment, the Credit Union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Measurement of expected credit losses

The Credit Union measures expected credit losses for member loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (agriculture, commercial, residential, consumer, and business loans). Otherwise, expected credit losses are measured on an individual basis.

The Credit Union will measure expected credit losses on an individual basis for the loans that are considered credit-impaired since it usually has information available to estimate the actual amounts that are expected to be recovered. The lifetime expected credit losses will be calculated as the difference between the carrying amount and the present value of expected recoveries (including the sale of collateral) for the individual loan. When measuring 12-month and lifetime expected credit losses, the Credit Union utilizes complex modelling, which uses current banking system loan data to assess probability of default, exposure at default, loss given default, and present value calculations.

Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses. Management also makes judgment on how many years of data to utilize or whether to weigh more recent years more heavily in the analysis.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The Credit Union assesses that there is no reasonable expectation of recovery when they have exhausted all attempts to obtain some of the loan back, including realizing on the security, if any, and disposing of related security. Where information becomes available indicating the Credit Union will receive funds, such amounts are recognized at their fair value.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount. The gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

December 31, 2019	**Loans Outstanding**				**Allowance for Credit Losses (ACL)**				
	Stage 1	Stage 2	Stage 3	**Gross Loans**	Stage 1	Stage 2	Stage 3	**ACL**	**Net Loans**
Mortgages									
Agriculture	96,400	8,666	2,401	**107,467**	14	2	-	**16**	**107,451**
Commercial	94,164	36,862	1,523	**132,549**	187	1,129	656	**1,972**	**130,577**
Residential	536,071	81,471	6,374	**623,916**	136	461	981	**1,578**	**622,338**
Consumer Loans	122,507	14,777	1,440	**138,724**	581	2,431	1,174	**4,186**	**134,538**
Business Loans	114,736	25,849	2,667	**143,252**	94	962	884	**1,940**	**141,312**
Accrued Interest	2,464	582	641	**3,687**	-	-	-	**-**	**3,687**
Total	**966,342**	**168,207**	**15,046**	**1,149,595**	1,012	4,985	3,695	**9,692**	**1,139,903**

December 31, 2018	**Loans Outstanding**				**Allowance for Credit Losses (ACL)**				
	Stage 1	Stage 2	Stage 3	**Gross Loans**	Stage 1	Stage 2	Stage 3	**ACL**	**Net Loans**
Mortgages									
Agriculture	90,391	8,581	495	**99,467**	13	1	179	**193**	**99,274**
Commercial	95,220	34,327	3,084	**132,631**	188	975	709	**1,872**	**130,759**
Residential	565,323	69,290	9,159	**643,772**	189	598	1,151	**1,938**	**641,834**
Consumer Loans	121,720	14,389	1,624	**137,733**	570	2,455	1,182	**4,207**	**133,526**
Business Loans	107,146	29,744	4,039	**140,929**	96	1,086	1,984	**3,166**	**137,763**
Accrued Interest	2,614	455	652	**3,721**	-	-	-	**-**	**3,721**
Total	**982,414**	**156,786**	**19,053**	**1,158,253**	1,056	5,115	5,205	**11,376**	**1,146,877**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Credit Union due to its primary service area being Lloydminster and Kindersley, Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

2019

	Allowance for Credit Losses (ACL)			
	Stage 1	Stage 2	Stage 3	Total
Agriculture Mortgages				
Balance at December 31, 2018	13	1	179	193
Net remeasurement of loss allowance	1	1	(179)	(177)
Balance at December 31, 2019	**14**	**2**	**-**	**16**
Commercial Mortgages				
Balance at December 31, 2018	188	975	709	1,872
Net remeasurement of loss allowance	(1)	154	(53)	100
Balance at December 31, 2019	**187**	**1,129**	**656**	**1,972**
Residential Mortgages				
Balance at December 31, 2018	189	598	1,151	1,938
Net remeasurement of loss allowance	(53)	(137)	(170)	(360)
Balance at December 31, 2019	**136**	**461**	**981**	**1,578**
Consumer Loans				
Balance at December 31, 2018	570	2,455	1,182	4,207
Net remeasurement of loss allowance	11	(24)	(8)	(21)
Balance at December 31, 2019	**581**	**2,431**	**1,174**	**4,186**
Business Loans				
Balance at December 31, 2018	96	1,086	1,984	3,166
Net remeasurement of loss allowance	(2)	(124)	(1,100)	(1,226)
Balance at December 31, 2019	**94**	**962**	**884**	**1,940**
Total allowance for credit losses				**9,692**

2018

	Allowance for Credit Losses (ACL)			
	Stage 1	Stage 2	Stage 3	Total
Agriculture Mortgages				
Balance at January 1, 2018	16	4	13	33
Net remeasurement of loss allowance	(3)	(3)	166	160
Balance at December 31, 2018	**13**	**1**	**179**	**193**
Commercial Mortgages				
Balance at January 1, 2018	217	953	203	1,373
Net remeasurement of loss allowance	(29)	22	506	499
Balance at December 31, 2018	**188**	**975**	**709**	**1,872**
Residential Mortgages				
Balance at January 1, 2018	237	620	134	991
Net remeasurement of loss allowance	(48)	(22)	1,017	947
Balance at December 31, 2018	**189**	**598**	**1,151**	**1,938**
Consumer Loans				
Balance at January 1, 2018	700	2,147	1,770	4,617
Net remeasurement of loss allowance	(130)	308	(588)	(410)
Balance at December 31, 2018	**570**	**2,455**	**1,182**	**4,207**
Business Loans				
Balance at January 1, 2018	153	1,683	769	2,605
Net remeasurement of loss allowance	(57)	(597)	1,215	561
Balance at December 31, 2018	**96**	**1,086**	**1,984**	**3,166**
Total allowance for credit losses				**11,376**

Investments

The following table summarizes the credit exposure of the Credit Union's investment portfolio.

	2019	2018
AA	2,600	2,729
A	7,558	7,558
R-1	159,514	145,901
Unrated	3,067	2,062
Total investments	**172,739**	**158,250**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Loan Portfolio

Please refer to Note 7 which summarizes credit risk exposures for the loan portfolio including performing loans, impaired loans, past due but not impaired loans, and allowances for credit losses.

Exposure to Credit Risk

The Credit Union's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial asset (cash, investments, loans, securitized mortgages, other receivables and derivatives) is the carrying amount of those assets as indicated in the statement of financial position. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

In the normal course of business, the Credit Union has entered into various commitments to extend credit that may not be reported on the statement of financial position, as well as guarantees and standby letters of credit. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. Commitments are included in Note 20.

Liquidity Risk

Liquidity risk is the risk that the Credit Union is unable to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet its financial commitments as they come due. Liquidity risk is managed in accordance with policies and procedures established by the Board of Directors. In addition, CUDGC establishes standards to which the Credit Union must comply.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective specific and market conditions and the related behavior of its members and counter parties. The Credit Union measures and manages the liquidity position from three risk perspectives:

- Short-term exposure (up to one month) based on historical changes in liquidity;
- Medium-term exposure (up to one year) based on forecasted cash flows; and
- Exposure to abnormal liquidity events based on various stress tests.

Policies and Processes

The Credit Union manages liquidity by monitoring, forecasting and managing cash flows. The Finance Division manages day-to-day liquidity within board-approved policies, and reports to the ALCO quarterly to ensure compliance. Management provides quarterly reports on these matters to the Risk Committee. The acceptable amount of risk is defined by policies approved by the Board and monitored by the ALCO and Risk Committee. The Credit Union's liquidity policies and practices include:

- Measuring, monitoring and forecasting of cash flows;
- Maintaining a sufficient pool of high quality liquid assets to meet operating needs;
- Maintaining access to credit and commercial paper facilities;
- Managed growth of the Credit Union's loan and deposit portfolios;
- Established access to asset sale programs through capital markets and credit union partners;
- The establishment of a board approved liquidity plan and related liquidity contingency plans; and
- Participation in the mandatory statutory liquidity program.

The following are the contractual maturities of the Credit Union's financial liabilities.

2019	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Deposits	985,775	163,489	82,067	707
Loans payable	12,065	19,375	10,763	-
Other liabilities	5,038	197	-	-
Member capital	2,703	-	-	32,436
	1,005,581	**183,061**	**92,830**	**33,143**

2018	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Deposits	965,921	146,021	81,556	495
Loans payable	11,010	23,207	15,940	-
Other liabilities	8,141	207	-	-
Member capital	2,485	-	-	32,027
	987,557	**169,435**	**97,496**	**32,522**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Liquidity Coverage Ratio

Effective January 1, 2017 the Credit Union has implemented a Liquidity Coverage Ratio (LCR) to be phased in over a two-year period. This is a regulatory requirement of CUDGC, with the minimum LCR beginning at 80% as of January 1, 2017. The minimum requirement raises in equal steps of 10% annually to reach 100% on January 1, 2019. The objective of the LCR is to ensure the Credit Union has an adequate stock of unencumbered high-quality liquid assets (HQLA) that:

- Consists of cash or assets that can be converted into cash at little or no loss of value; and
- Meets its liquidity needs for a 30 calendar day stress scenario.

Inflow and outflow values are calculated as outstanding balances maturing or callable within 30 days of various types of liabilities, off-balance sheet items or contractual receivables. These items are weighted after the application of haircuts (for HQLA) and inflow and outflow rates as prescribed by CUDGC. The LCR is calculated as the weighted value of HQLA divided by the weighted value of total net cash outflows.

	2019	
High quality liquid assets (HQLA):	Actual Value	Weighted Value
Level 1 HQLA	100,865	100,865
Level 2A HQLA	10,433	8,868
Level 2B HQLA	24,089	12,044
Total HQLA	135,387	**121,777**
Cash outflows:		
Stable retail deposits	286,321	14,316
Less stable retail deposits	62,223	6,222
Unsecured wholesale funding	504,929	49,033
Secured wholesale funding	-	-
Other contractual funding obligations	229,223	11,761
Total cash outflows	1,082,696	81,332
Cash inflows:		
Inflows from loan repayments	10,084	5,042
Inflows from other counterparties not included in HQLA	46,941	46,941
Total cash inflows	57,025	51,983
Cash inflows after CUDGC maximum inflow cap applied, if required		51,983
Total net cash outflows		**29,349**

	2018	
High quality liquid assets (HQLA):	Actual Value	Weighted Value
Level 1 HQLA	80,705	80,705
Level 2A HQLA	9,236	7,851
Level 2B HQLA	15,181	7,590
Total HQLA	105,122	**96,146**
Cash outflows:		
Stable retail deposits	294,919	14,746
Less stable retail deposits	66,810	6,681
Unsecured wholesale funding	493,384	58,812
Secured wholesale funding	-	-
Other contractual funding obligations	214,554	15,122
Total cash outflows	1,069,667	95,361
Cash inflows:		
Inflows from loan repayments	10,038	5,019
Inflows from other counterparties not included in HQLA	35,228	35,228
Total cash inflows	45,266	40,247
Cash inflows after CUDGC maximum inflow cap applied, if required		40,247
Total net cash outflows		**55,114**

Quarterly LCR History

	2019	2018
At March 31	350%	478%
At June 30	352%	210%
At September 30	306%	342%
At December 31	415%	174%

As the LCR is a CUDGC prescribed standard, when a credit union is not in compliance, CUDGC may take any necessary action. Necessary action may include, but is not limited to:

- Reducing or restricting the credit union's authorities and limits;
- Subjecting the credit union to preventive intervention;
- Issuing a compliance order;
- Placing the credit union under supervision or administration; and
- Issuing an amalgamation order.

The Credit Union has met and complied with its 2019 internal LCR limit of 100% and the CUDGC limit of 100% for 2019.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Market Risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors, such as interest rates, foreign currency risk, equity prices and credit spreads. The Credit Union's exposure changes depending on market conditions. The primary market risks that the Credit Union is exposed to are interest rate risk and foreign currency risk.

The Finance Division manages day-to-day market risk within approved policies and reports quarterly to ALCO to ensure policy compliance. Management provides quarterly reports on these matters to the Risk Committee.

Interest Rate Risk

The most significant form of market risk to the Credit Union is interest rate risk. Interest rate risk is the potential adverse impact on profit due to changes in interest rates. The Credit Union's exposure to interest rate risk arises due to timing differences in the repricing assets and liabilities, as well as due to financial assets and liabilities with fixed and floating rates. The Credit Union's exposure to interest rate risk can be measured by the mismatch or gap, between the assets, liabilities and off-balance sheet instruments scheduled to mature or reprice on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that reprice in specific time buckets.

The following table summarizes the carrying amounts of financial instruments exposed to interest rate risk by the earlier of the contractual repricing/maturity dates. Repricing dates are based on the earlier of maturity or the contractual repricing date and effective interest rates, where applicable, represent the weighted average effective yield. The schedule does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

2019	On demand	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	64,275	-	-	-	-	3,276	67,551
Effective rate	*1.60%*	-	-	-	-	-	*1.60%*
Investments	32,050	65,084	38,695	17,293	13	19,604	172,739
Effective rate	*1.77%*	*1.62%*	*2.15%*	*2.30%*	*3.29%*	-	*1.68%*
Loans	264,670	37,115	157,979	644,032	36,107	-	1,139,903
Effective rate	*5.55%*	*4.35%*	*3.59%*	*4.04%*	*4.82%*	-	*4.36%*
Derivative financial assets	-	-	-	-	-	180	180
Other receivables	-	-	-	-	-	452	452
	360,995	**102,199**	**196,674**	**661,325**	**36,120**	**23,512**	**1,380,825**
Liabilities and equity							
Deposits	446,683	96,463	207,359	245,555	707	235,271	1,232,038
Effective rate	*1.08%*	*2.61%*	*2.31%*	*2.71%*	*2.52%*	-	*1.52%*
Loans payable	-	-	12,065	30,138	-	-	42,203
Effective rate	-	-	*1.68%*	*2.40%*	-	-	*2.19%*
Other liabilities	-	-	-	-	-	5,235	5,235
Member capital	-	-	-	-	-	35,139	35,139
	446,683	**96,463**	**219,424**	**275,693**	**707**	**275,645**	**1,314,615**
Balance sheet mismatch	(85,688)	5,736	(22,750)	385,632	35,413	(252,133)	66,210
Derivatives	50,000	(50,000)	-	-	-	-	-
Net mismatch	**(35,688)**	**(44,264)**	**(22,750)**	**385,632**	**35,413**	**(252,133)**	**66,210**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Market Risk (Continued)

Interest Rate Risk (Continued)

2018	On demand	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	36,333	-	-	-	-	3,413	39,746
Effective rate	*1.60%*	-	-	-	-	-	*1.60%*
Investments	44,445	27,716	30,503	36,983	513	18,090	158,250
Effective rate	*1.84%*	*1.24%*	*2.19%*	*1.61%*	*0.73%*	-	*1.59%*
Loans	288,729	29,135	118,108	684,446	26,459	-	1,146,877
Effective rate	*5.60%*	*4.22%*	*4.01%*	*3.95%*	*4.91%*	-	*4.40%*
Derivative financial assets	-	-	-	-	-	1,019	1,019
Other receivables	-	-	-	-	-	187	187
	369,507	**56,851**	**148,611**	**721,429**	**26,972**	**22,709**	**1,346,079**
Liabilities and equity							
Deposits	457,878	92,128	179,897	227,577	495	236,018	1,193,993
Effective rate	*1.05%*	*2.22%*	*2.20%*	*2.40%*	*2.62%*	-	*1.36%*
Loans payable	-	460	10,550	39,147	-	-	50,157
Effective rate	*3.45%*	*2.09%*	*1.92%*	*2.10%*	-	-	*2.06%*
Other liabilities	-	-	-	-	-	8,348	8,348
Member capital	-	-	-	-	-	34,512	34,512
	457,878	**92,588**	**190,447**	**266,724**	**495**	**278,878**	**1,287,010**
Balance sheet mismatch	(88,371)	(35,737)	(41,836)	454,705	26,477	(256,169)	59,069
Derivatives	125,000	(75,000)	-	(50,000)	-	-	-
Net mismatch	**36,629**	**(110,737)**	**(41,836)**	**404,705**	**26,477**	**(256,169)**	**59,069**

The Credit Union estimates comprehensive income would be impacted by the following amounts given a +/- 1% change in interest rates. Given the non-linear relationship between broader market rates and rates on Credit Union deposits, the sensitivity of comprehensive income to interest rates is expected to decrease as market rates increase.

Impact to comprehensive income	2019	2018
1% rise in the prime interest rate	529	926
1% decrease in the prime interest rate	(529)	(926)

To manage its exposure to interest rate fluctuations and to manage the asset liability mismatch, the Credit Union enters into interest rate swaps. It minimizes the interest rate risk and cash required to liquidate the contracts by entering into counterbalancing positions.

	2019		2018	
	Notional value	Fair value	Notional value	Fair value
Pay fixed 1.16% Expires 23-JAN-19	-	-	(75,000)	611
Pay fixed 1.26% Expires 23-JAN-20	(50,000)	180	(50,000)	408
	(50,000)	**180**	**(125,000)**	**1,019**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

Market Risk (Continued)

Interest Rate Risk (Continued)

The notional principal amounts shown represents the contract or principal amount used in determining payments. These amounts are not exchanged themselves and serve only as the basis for calculating other amounts that do change hands.

The net interest revenue earned or expense paid on the swaps during the year was a net revenue of $451 (2018 – net revenue of $792). The change in unrealized fair value of interest rate swaps for the year was a loss of $540 (2018 - loss of $1,270) and is recorded in non-interest income (expense).

Board policy places limitations on exposure to interest rate risk by outlining maximum acceptable levels of asset liability gap, maximum acceptable levels of margin sensitivity to interest rates, and by placing restrictions on the types and quantities of asset classes that may be held in the Credit Union's investment portfolio.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a foreign currency. It is not considered significant at this time as the Credit Union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financial instruments for an extended period.

As at December 31, 2019, the Credit Union had $5,925 (2018 - $6,572) in U.S. dollar financial assets. This is comprised of a $2,000 (2018 - $2,000) U.S. dollar bond and the remainder is in U.S. dollar accounts with SaskCentral. These assets were held to offset exposure of $5,865 (2018 - $6,272) in U.S. dollar financial liabilities, primarily in the form of deposits from members.

20. COMMITMENTS

Operating leases

The Credit Union currently has not entered into any agreements to lease equipment and property.

Commitments subject to credit risk

Standby letters of credit represent irrevocable assurances that the Credit Union will make payments in the event that a member cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to members. Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit. The Credit Union makes the following instruments available to its members:

- Standby letters of credit representing irrevocable assurances that the Credit Union will pay if a member cannot meet their obligations to a third party;
- Documentary and commercial letters of credit to allow a third party to draw drafts to a maximum agreed amount under specific terms and conditions;
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit), guarantees or letters of credit;
- Irrevocable commitments to venture capital investments that are subject to cash calls; and
- Credit card guarantees to Collabria MasterCard representing assurances that the Credit Union will assume the associated credit risk if a member cannot meet their obligations to Collabria.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. As at December 31, 2019, the Credit Union had the following other commitments subject to credit risk:

	2019	**2018**
Undrawn lines of credit	203,160	185,101
Standby letters of credit	1,988	3,014
Commitments to extend credit	18,301	16,803
Venture Capital cash calls	6,372	7,540
Collabria MasterCard guarantees	669	95
	230,490	**212,553**

20. COMMITMENTS (Continued)

Other commitments

The Credit Union has various other commitments that include community investments, banking system services and construction contracts. Future estimated payments for these commitments are as follows.

	Estimated payments
2020	1,757
2021	949
2022	43
2023	34
2024	35
Thereafter	80
	2,898

In the table above, property, plant and equipment commitments total $279 and intangible asset commitments total $830.

21. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

SCHEDULE 1: NON-INTEREST EXPENSES

For the years ended December 31

($ thousands)	2019	2018
PERSONNEL		
Salaries	14,161	14,238
Employee profit sharing	1,352	1,242
Employee benefits	2,578	2,439
Other	508	425
	18,599	**18,344**
OCCUPANCY		
Building depreciation	1,531	1,439
Building and land taxes	382	375
Building fire insurance	168	157
Building maintenance	431	270
Heat, light and water	252	406
Janitorial services	451	455
Other	185	172
	3,400	**3,274**
MEMBER SECURITY		
CUDGC deposit insurance assessment	951	945
Fidelity and burglary insurance	126	119
Life savings insurance	4	3
	1,081	**1,067**
GENERAL BUSINESS		
Advertising and donations	976	933
Automotive	37	40
Computer costs	3,070	3,030
Equipment depreciation	611	626
External audit	150	149
Foreclosed property	407	250
Loan, search and legal fees	248	301
Overdraft and fraud losses	91	153
Card fees	196	171
Service, clearing and ATM charges	1,386	1,316
Stationary and supplies	57	55
Telephone and postage	388	364
Other	514	470
	8,131	**7,858**
ORGANIZATION		
Annual meetings	14	19
Director compensation and expenses	215	211
SaskCentral dues	237	254
Other	6	31
	472	**515**
TOTAL NON-INTEREST EXPENSES	**31,683**	**31,058**

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